



//KHARA HAIS MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended
30 JUNE 2012

Annual Financial Statements For the Year Ended 30 June 2012

NATURE OF BUSINESS

COUNTRY OF ORIGIN AND LEGAL FORM

JURISDICTION

Karos
Lambrechtsdrift[illegible]

Willem JB Engelbrecht

Ruaan Strauss

//KHARA HAIS MUNICIPALITY

Annual Financial Statements For the Year Ended 30 June 2012

GENERAL INFORMATION

GRADING OF LOCAL AUTHORITY:

Grade 4

AUDITORS:

Auditor-General (Northern Cape)

PRIMARY BANKERS:

ABSA Bank Ltd

RELEVANT LEGISLATION:

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

PHYSICAL ADDRESS:

Civic Centre
Market Street
Upington
8800

POSTAL ADDRESS:

Private Bag X6003
Upington
8800

TELEPHONE NUMBER:

(054) 338 7000

FAX NUMBER:

(054) 338 7350

WEBSITE:

www.kharahais.gov.za

EMAIL ADDRESSES:

Municipal Manager
Chief Financial Officer

manager@kharahais.gov.za
cfo@kharahais.gov.za

//KHARA HAIS MUNICIPALITY

Annual Financial Statements For the Year Ended 30 June 2012

GENERAL INFORMATION

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 60, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

Date signed

//KHARA HAIS MUNICIPALITY

Annual Financial Statements For the Year Ended 30 June 2012

INDEX	
	Page
Statement of Financial Position	1
Statement of Financial Performance	2
Statement of Changes in Net Assets	3
Cash Flow Statement	4
Accounting Policies	5 - 22
Notes to the Annual Financial Statements	23 - 52
Appendix A: Schedule of External Loans	53
Appendix B: Analysis of Property, Plant and Equipment	54
Appendix C: Segmental Analysis of Property, Plant and Equipment	55
Appendix D: Segmental Statement of Financial Performance	56
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	57
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	58
Appendix F(1): Disclosures of Grants and Subsidies in Terms of the Municipal Finance Management Act	59
Appendix F(2): Disclosures of Grants and Subsidies in Terms of the Municipal Finance Management Act	60

//KHARA HAIS MUNICIPALITY



// KHARA HAIS MUNICIPALITY STATEMENT OF FINANCIAL POSITION at 30 June 2012

	Note	2012 Restated R	2012 Original R	2011 Restated R
ASSETS				
Non-current assets		2 232 785 456	2 209 312 358.59	2 301 265 938
Property, plant and equipment	1.1	2 048 725 893	2 025 181 800	2 116 812 680
Intangible assets	1.2	1 700 451	1 771 446	2 093 119
Investment Property	1.3	182 357 250	182 357 250	182 357 250
Non-current receivables	2	1 863	1 863	2 889
Current assets		60 866 468	48 276 465	63 019 652
Inventory	3	6 129 001	6 129 001	5 032 676
Trade receivables from exchange transactions	4	33 711 850	21 121 847	35 944 635
Trade receivables from non-exchange transactions	4	3 185 435	3 185 435	2 729 017
Other receivables	5	9 777 671	9 777 671	7 227 546
Short term investments	6	1 648 469	1 648 469	5 763 131
Cash and cash equivalents	7	6 394 454	6 394 454	6 299 813
Current portion of receivables	2	19 587	19 587	22 834
TOTAL ASSETS		2 293 651 924	2 257 588 823	2 364 285 590
NET ASSETS AND LIABILITIES				
Non-current liabilities		150 811 880	152 654 189	117 039 460
Non-current borrowings	8	81 906 797	81 906 797	70 206 788
Trust accounts	9	2 625 352	2 989 637	2 647 644
Employee Benefits	10	66 279 731	-	42 863 760
Non-current Provisions	11	-	67 757 755	1 321 268
Current liabilities		111 224 680	86 394 866	78 651 065
Current portion of borrowings	8	11 713 725	11 713 725	6 555 474
Consumer deposits	12	6 153 968	6 153 968	5 738 665
Current Employee Benefits	13	3 119 256	-	2 752 798
Provisions	14	2 002 596	4 122 568	722 921
Trade and other payables	15	46 518 869	21 217 596	52 433 542
Unspent conditional grants and receipts	16	30 364 908	30 899 295	5 829 508
VAT payable	17	1 053 441	1 989 797	3 250 601
Bank Overdraft	18	10 297 917	10 297 917	1 367 555
Net assets		2 031 615 364	2 018 539 768	2 168 595 065
Accumulated surplus / (deficit)	19	2 031 615 364	2 018 539 768	2 168 595 065
TOTAL NET ASSETS AND LIABILITIES		2 293 651 924	2 257 588 823	2 364 285 590

//KHARA HAIS MUNICIPALITY



//KHARA HAIS MUNICIPALITY STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2012

	Note	2012 Restated R	2012 Original R	2012 Budget R	2011 Restated R
Revenue					
Property rates	20	43 340 022	43 340 022	43 970 383	39 471 694
Service charges	21	248 713 460	246 606 342	255 656 740	213 821 055
Rental of facilities and equipment		6 370 646	6 370 646	5 636 621	4 403 694
Interest earned - external investments		1 023 497	1 023 497	512 211	855 919
Interest earned - outstanding receivables		2 344 500	2 344 500	2 638 496	2 122 737
Fines		1 520 877	1 520 877	1 519 088	1 385 582
Licences and permits		1 732 037	1 732 037	1 574 797	1 554 264
Income for agency service		3 245 304	3 245 304	3 221 304	3 074 867
Income for housing agency service		1 600 000	1 600 000	1 600 000	3 216 168
Employee housing		90 573	90 573	71 994	101 390
Government grants and subsidies - Operating	22	54 618 184	54 618 184	60 186 062	45 570 005
Government grants and subsidies - Capital	22	13 633 831	13 633 831	36 794 081	8 719 046
Other income	23	3 202 785	2 940 551	2 582 433	3 161 394
		381 435 714	379 066 363	415 964 210	327 457 815
Less: Revenue forgone		(2 098 375)	(2 098 375)	(2 036 522)	(1 367 542)
TOTAL REVENUE		379 337 339	376 967 988	413 927 688	326 090 273
Expenses					
Employee related costs	24	158 228 971	156 643 288	155 093 620	139 526 944
Remuneration of councillors	25	6 531 083	6 531 083	6 751 716	5 333 590
Contributions to provisions - Bad debts	26.1	4 830 308	4 830 308	420 000	783 503
Contributions to provisions - Other	26.2	25 493 209	25 493 209	14 868 461	23 591 962
Collection cost		193 550	193 550	209 400	162 850
Depreciation and amortisation expense	27	111 189 720	108 502 606	4 880 911	112 108 357
Repairs and maintenance	28	10 471 280	10 398 829	11 191 417	10 465 025
Finance costs	29	9 416 932	9 416 932	7 926 399	7 594 126
Bulk purchases	30	106 256 052	102 300 564	101 264 360	82 100 517
Contracted services - Legal fees	31	1 809 708	1 809 708	1 939 619	1 486 425
Contracted services - Other	31	7 840 410	7 840 410	8 369 747	8 633 371
Grants and subsidies paid	32	917 343	917 343	905 600	855 409
Operating projects	33	506 857	506 857	2 511 117	1 049 515
General expenses	34	72 580 218	72 707 876	71 084 518	61 655 255
		516 265 639	508 092 562	387 416 885	455 346 851
TOTAL EXPENSES		516 265 639	508 092 562	387 416 885	455 346 851
Gain / (loss) on sale of assets		(557)	(557)	4	48 193
SURPLUS / (DEFICIT) FOR THE YEAR		(136 928 857)	(131 125 132)	26 510 807	(129 208 385)

//KHARA HAIS MUNICIPALITY



Statement of Changes in Net Assets for the Year Ended 30 June 2012

	Revaluation Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R
2011			
Balance at 1 July 2010	-	2 303 379 759	2 303 379 759
Correction of Error (Prior Year)	-	1 241 774	1 241 774
Restated Balance	-	2 304 621 532	2 304 621 532
Other Transfers	-	65 225	65 225
Surplus / (Deficit) for the Year - refer to note 36.10	-	(129 208 385)	(129 208 385)
Balance at 30 June 2011	-	2 175 478 372	2 175 478 372
Correction of Error (Prior Year) - refer to note 36.10	-	(6 883 307)	(6 883 307)
Restated Balance 30 June 2011	-	2 168 595 065	2 168 595 065
Other Transfers	-	(50 845)	(50 845)
Surplus / (Deficit) for the Year	-	(136 928 857)	(136 928 857)
Balance at 30 June 2012	-	2 031 615 364	2 031 615 364

//KHARA HAIS MUNICIPALITY



Cash Flow Statement for the Year Ended 30 June 2012

	Note	2012 R	2011 R
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts			
Ratepayers and other		324 400 099	251 482 545
Government - operating	22	54 618 184	45 570 005
Government - capital	22	13 633 831	8 719 046
Interest		3 367 997	2 978 656
Payments			
Suppliers and employees		(373 180 941)	(295 089 103)
Unamortised Discount - Interest - Expenditure			
Transfers and Grants	32	(917 343)	(855 409)
Finance charges	29	(9 416 932)	(7 594 126)
Net Cash flow from operating activities		12 504 896	5 211 614
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of Property, Plant and Equipment		(42 139 595)	(30 065 257)
(Loss) / Proceeds on Disposal of Property, Plant and Equipment		(557)	48 193
Purchase of Intangible assets		(570 669)	(48 159)
Purchase of Investment Property		-	(3 200 000)
Decrease / (Increase) in Call Investment Deposits		4 114 662	(57 938)
Decrease / (Increase) in Non-Current Receivables		4 273	(8 101)
Increase / (Decrease) in Trust Accounts		(22 292)	527 896
Net Cash From Investing Activities		(38 614 178)	(32 803 365)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Loans Repaid		(6 606 362)	(5 139 824)
New Loans Raised		23 464 621	19 519 328
Increase / (Decrease) in Consumer Deposits		415 303	1 167 709
Net Cash From Financing Activities		17 273 562	15 547 212
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS FROM ACTIVITIES		(8 835 720)	(12 044 539)
Cash and cash equivalents at the beginning of the year		4 932 258	16 976 797
Cash and cash equivalents at the end of the year	35.2	(3 903 463)	4 932 258
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(8 835 720)	(12 044 539)

//KHARA HAIS MUNICIPALITY

Accounting Policies for the Annual Financial Statements For the Year Ended 30 June 2012

1 BASIS OF PRESENTATION

- 1.1 The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.
- 1.2 These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).
- 1.3 Standards, amendments to Standards and Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised - Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated</p>	Unknown
GRAP 7 (Revised - Mar 2012)	<p>Investment in Associate</p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	1 April 2013
GRAP 8 (Revised - Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p>	Unknown

	No significant impact is expected as the Municipality is not involved in any joint ventures.	
GRAP 18 (Revised - Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.</p>	Unknown
GRAP 24 (Original - Nov 2007)	<p>Presentation of Budget Information in Financial Statements</p> <p>The Standard required a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements. Therefore, the impact is assessed to not be significant.</p>	1 April 2012
GRAP 103 (Original - July 2008)	<p>Heritage Assets</p> <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.</p>	1 April 2012
GRAP 105 (Original - Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	Unknown

(Original - Nov 2010)	<p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities not under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	
GRAP 107 (Original - Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
IGRAP 12	<p>Jointly Controlled Entities Non-Monerary Contributions</p> <p>The objective of this interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE)</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

2 USE OF ESTIMATES AND JUDGEMENTS

- 2.1 The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice (GRAP) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and, actual results may differ from these estimates.
- 2.2 Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period which the estimates are revised and in any future affected.

3 PRESENTATION CURRENCY

- 3.1 These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

4 GOING CONCERN ASSUMPTION

- 4.1 The Municipality is deemed a going concern, following an assessment made by management during the compilation of the annual financial statements.

5 RESERVES

5.1 Revaluation Reserve (Non-Distributable Reserve)

- 5.1.1 The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP standards.
- 5.1.2 All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.
- 5.1.3 All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Initial Recognition

- 6.1.2 Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.
- 6.1.3 The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.
- 6.1.4 Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.
- 6.1.5 When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
- 6.1.6 Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.
- 6.1.7 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.
- 6.1.8 Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

6.2 Subsequent Measurement

- 6.2.1 Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

- 6.2.2 Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.
- 6.2.3 Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.
- 6.2.4 Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

6.3 Depreciation

- 6.3.1 Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Asset Group	Years	Asset Group	Years
Roads and Paving	3 - 50	Specialist vehicles	10 - 15
Pedestrian Malls	30	Other vehicles	4 - 10
Electricity	5 - 50	Office equipment	3 - 15
Water	3 - 50	Furniture and fittings	5 - 10
Sewerage	3 - 50	Watercraft	15 - 20
Community Buildings	5 - 30	Bins and containers	10 - 15
Community Centres	5 - 30	Specialised plant and equipment	10 - 15
Recreational Facilities	5 - 30	Other items of plant and equip	2 - 10
Security	3 - 5	Landfill sites	10 - 50
Buildings	5 - 30	Infrastructural assets	15 - 30

- 6.3.2 The above-mentioned estimated useful lives of assets are defined in more detail in Appendix B (Infrastructure Asset Classification) of the Municipality's Asset Management Policy.
- 6.3.3 Depreciation only commences when the asset is available for use, unless stated otherwise.
- 6.3.4 The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

6.4 Incomplete Construction Work

- 6.4.1 Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

6.5 Finance Leases

- 6.5.1 Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

6.6 Heritage Assets

- 6.6.1 Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment. Subsequent to measurement, heritage assets are carried at cost less impairment losses.

6.7 Land

- 6.7.1** Land is not depreciated as it is deemed to have an indefinite useful life.

6.8 Derecognition of Property, Plant and Equipment

- 6.8.1** The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.
- 6.8.2** The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.
- 6.8.3** Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

7 INTANGIBLE ASSETS

7.1 Initial Recognition

- 7.1.1** Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.
- 7.1.2** Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:
- 7.1.2.1** It is technically feasible to complete the intangible asset so that it will be available for use;
- 7.1.2.2** Management intends to complete the intangible asset and use or sell it;
- 7.1.2.3** There is an ability to use or sell the intangible asset;
- 7.1.2.4** It can be demonstrated how the intangible asset will generate probable future economic benefits;
- 7.1.2.5** Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- 7.1.2.6** The expenditure attributable to the intangible asset during its development can be reliably measured.
- 7.1.3** Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21/ IAS 36.
- 7.1.4** Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

7.2 Subsequent Measurement, Amortisation and Impairment

- 7.2.1 After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.
- 7.2.3 After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in surplus or deficit.
- 7.2.4 Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.
- 7.2.5 In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.
- 7.2.6 Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.
- 7.2.7 The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

7.3 Derecognition

- 7.3.1 Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

8 INVESTMENT PROPERTY

8.1 Initial Recognition

- 8.1.1 Investment property shall be recognised as an asset when, and only when:

- * it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- * cost or fair value of the investment property can be measured reliably.

- 8.1.2 At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost at date of completion.

- 8.1.3 Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.
- 8.1.4 Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:
- 8.1.4.1 All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
 - 8.1.4.2 Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
 - 8.1.4.3 A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
 - 8.1.4.4 A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.
- 8.1.5 The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:
- 8.1.5.1 Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
 - 8.1.5.2 Property being constructed or developed on behalf of third parties;
 - 8.1.5.3 Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
 - 8.1.5.4 Property that is being constructed or developed for future use as investment property;
 - 8.1.5.5 Property that is leased to another entity under a finance lease;
 - 8.1.5.6 Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
 - 8.1.5.7 Property held for strategic purposes or service delivery.

8.2 Subsequent Measurement - Fair Value Model

- 8.2.1 Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

8.3 Derecognition

- 8.3.1 Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

9 IMPAIRMENT OF ASSETS

9.1 Impairment of Cash Generating Assets

- 9.1.1 The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.
- 9.1.2 If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

- 9.1.3 The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.
- 9.1.4 The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.
- 9.1.5 If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.
- 9.1.6 An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.
- 9.1.7 An impairment of assets carried at at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- 9.1.8 An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
 - 9.1.8.1 To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- 9.1.9 A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.
- 9.1.10 The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
- 9.1.11 A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

9.2 Impairment of Non-Cash Generating Assets

- 9.2.1 The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.
- 9.2.2 If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.
- 9.2.3 The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.
- 9.2.4 If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.
- 9.2.5 An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.
- 9.2.6 An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
 - 9.2.6.1 To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

- 9.2.7 A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.
- 9.2.8 The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
- 9.2.9 A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

10 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

10.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

10.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

10.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payment (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

10.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

10.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

10.3 De-recognition of Financial Instruments

10.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- * the rights to receive cash flows from the asset have expired; or
- * the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the assets, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

10.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

10.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

11 INVENTORIES

- 11.1 Inventories include consumables stores, maintenance materials, spare parts for plant, equipment and land or property held for sale. Cost is determined by the weighted average method and comprises all costs of purchases, cost of development, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are stated at the lower of cost or net realisable value.
- 11.2 When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when goods are distributed or related service is rendered.
- 11.3 The amount of any write-down of inventories and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any write-down of inventories, arising from an increase in the net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.
- 11.4 Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

12 ACCOUNTS RECEIVABLE

- 12.1 Consumer debtors, other debtors and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables.

- 12.2 Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date - irrespective if arrangements with outstanding debtors have been made over a longer period - are classified as current. All amounts outstanding for more than 120 days will be deemed doubtful and are provided for as bad debt, except for schools and government debtors. Bad debt provision for 50% of all amounts outstanding for more than 120 days for schools are provided for based on the Writing-Off of Irrecoverable Debt Policy of Council. Bad debt provision for 20% of all amounts outstanding for more than 120 days for government debtors are provided for based on possible interest to be written-off.

13 REVENUE RECOGNITION

13.1 Revenue from Exchange Transactions

- 13.1.1 Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable. Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when the rewards and rights are transferred. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised when the rewards and rights are transferred. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read.
- 13.1.2 Revenue from the sale of pre-paid electricity and pre-paid water sales are recognised at point of sale and not when prepaid electricity is consumed.
- 13.1.3 Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property as set out in the approved Tariff List.
- 13.1.4 Service charges from sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property as set out in the approved Tariff List.
- 13.1.5 Interest and rentals are recognised on a time proportion basis.
- 13.1.6 Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.
- 13.1.7 Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.
- 13.1.8 Revenue from the sale of goods is recognised when the risk is passed to the consumer.
- 13.1.9 Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

13.2 Revenue from Non-Exchange Transactions

- 13.2.1 Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.
- 13.2.2 Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

- 13.2.3 Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.
- 13.2.4 Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.
- 13.2.5 Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

14 CONDITIONAL GRANTS AND RECEIPTS

14.1 Unspent Conditional Government Grants and Receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

The liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- * Unspent conditional grants are recognised as a liability when the grant is received.
- * When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- * The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- * Interest earned on the investment is treated accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

14.2 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set of for the creation and utilisation of the grant is receivable:

- * Unpaid conditional grants are recognised as an asset when the grant is receivable.

14.3 Unpaid Conditional Government Grants and Receipts

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

* Unspent public contributions are recognised as a liability when the grant is received.

* When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

* The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.

* Interest earned on the investment is treated accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

15 PROVISIONS

- 15.1 Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

16 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during the period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

17 UNAUTHORISED EXPENDITURE

- 17.1 Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18 IRREGULAR EXPENDITURE

- 18.1 Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19 FRUITLESS AND WASTEFUL EXPENDITURE

- 19.1 Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20 COMPARATIVE INFORMATION

20.1 Budget comparatives:

- 20.1.1 Budgeted amounts have been included in the annual financial statements in the Statement of Financial Performance for two years and in the Appendices for the current financial year only.

20.2 Prior year comparatives:

- 20.2.1 When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

21 LEASES

21.1 The Municipality as Lessee

- 21.1.1 Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.
- 21.1.2 Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.
- 21.1.3 Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative on the time pattern of the lessee's benefit from the use of the leased asset.

21.2 The Municipality as Lessor

- 21.2.1 Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.
- 21.2.2 Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

22 RETIREMENT BENEFITS

22.1 The municipality contribute to retirement benefit plans and after retirement contributions to medical aid funds.

22.2 Defined Benefit Plans

22.2.1 The defined benefit funds, which are administered by independent administrators, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

22.3 Defined Contribution Plans

22.3.1 The contributions to fund obligations for the payment of retirement benefits are charged to the Statement of Financial Performance in the same period as the related service is provided.

22.4 Post-Retirement Medical Benefits

22.4.1 The Municipality provides post-retirement medical benefits to ex-employees. These benefits are charged to the Statement of Financial Performance in the year of payment. The expected costs of these are accrued over the period of employment. Independent actuaries carry out valuations of these obligations.

22.4.2 The municipality offered employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the scheme.

23 TRUST ACCOUNTS

Employee benefit trust accounts are kept in trust for beneficiaries of deceased employees. These amounts are invested in separate investment accounts and utilised in terms of the stipulations of the Curator of the Estate.

24 INTERNAL FINANCING OF PROPERTY, PLANT AND EQUIPMENT

24.1 In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are provided from cash surpluses generated and transferred to the Capital Replacement Reserve (CRR).

25 CONTINGENT LIABILITIES

25.1 A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured within sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

26 CONTINGENT ASSET

- 26.1 A contingent asset is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset could also be a present obligation that arises from past events, but is not recognised because it is not probable that an inflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured within sufficient reliability.

Management judgement is required when recognising and measuring contingent assets.

27 COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

28 RELATED PARTIES

- 28.1 Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel of the municipality are those persons, directly and indirectly, having authority and responsibility for planning, directing and controlling the activities of the Municipality. Key management is defined as the Municipal Manager, Chief Financial Officer and all other Section 57 managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.
- 28.2 Any services rendered to and payments made to key management personnel and councillors other than their monthly remuneration will be disclosed appropriate.

29 VALUE ADDED TAX

- 29.1 The Municipality accounts for value added taxation on a cash basis.

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

1.1 PROPERTY, PLANT AND EQUIPMENT

30 June 2012 Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Heritage R	Other R	Total R
Carrying Values at 1 July 2011	56 389 540	164 663 480	1 784 606 640	62 194 754	4 273 000	44 685 266	2 116 812 680
Cost	56 389 540	181 320 767	2 710 148 675	84 165 352	4 273 000	55 825 399	3 092 122 733
Accumulated Depreciation	-	(16 657 287)	(925 542 034)	(21 970 598)	-	(11 140 133)	(975 310 053)
Acquisitions	-	-	-	-	-	18 573 080	18 573 080
Capital Under Construction	-	1 100 187	19 388 277	2 570 795	-	507 256	23 566 515
Depreciation	-	(6 291 030)	(90 815 498)	(2 935 839)	-	(9 410 859)	(109 453 226)
Capital assets under inventory	-	-	-	-	-	-	-
Carrying Values of disposals	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	(773 156)	(773 156)
Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-
Carrying Values at 30 June 2012	56 389 540	159 472 637	1 713 179 420	61 829 710	4 273 000	53 581 586	2 048 725 893
Cost	56 389 540	182 420 954	2 729 536 952	86 736 147	4 273 000	74 905 735	3 134 262 328
Accumulated Depreciation	-	(22 948 317)	(1 016 357 532)	(24 906 437)	-	(21 324 148)	(1 085 536 436)

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

1.1 PROPERTY, PLANT AND EQUIPMENT							
30 June 2011 Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community	Heritage R	Other R	Total R
Carrying Values at 1 July 2010	56 389 540	169 455 022	1 856 056 284	64 728 969	4 273 000	46 753 298	2 197 656 113
Cost	56 389 540	179 815 675	2 691 721 717	83 592 598	4 273 000	50 354 882	3 066 147 412
Correction of Error - refer to note 36.10	-	(231 006)	(3 830 328)	(1 599)	-	(27 003)	(4 089 936)
Accumulated Depreciation	-	(10 129 647)	(831 835 105)	(18 862 029)	-	(3 574 581)	(864 401 362)
Acquisitions	-	1 707 211	16 353 477	361 492	-	5 497 520	23 919 700
Capital Under Construction	-	28 887	5 903 808	212 862	-	-	6 145 557
Depreciation	-	(6 527 640)	(93 706 930)	(3 108 569)	-	(7 565 552)	(110 908 691)
Balance Previously Reported	-	(6 527 640)	(122 909 959)	(3 108 569)	-	(7 594 624)	(140 140 792)
Correction of Error - refer to note 36.10	-	-	29 203 030	-	-	29 072	29 232 102
Capital assets under inventory							-
Carrying Values of disposals	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-
Reversal of impairment loss							
Transfers	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-
Carrying Values at 30 June 2011	56 389 540	164 663 480	1 784 606 640	62 194 754	4 273 000	44 685 266	2 116 812 680
Cost	56 389 540	181 320 767	2 710 148 675	84 165 352	4 273 000	55 825 399	3 092 122 733
Accumulated Depreciation	-	(16 657 287)	(925 542 034)	(21 970 598)	-	(11 140 133)	(975 310 053)

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
1.2.	INTANGIBLE ASSETS		
	Carrying value as at 1 July	2 093 119	3 244 627
	Cost	4 679 490	4 631 331
	Accumulated amortisation and impairment losses	(2 586 371)	(1 386 704)
	Acquisitions	570 669	48 159
	Amortisation for the year	(963 337)	(1 199 666)
	Carrying value of disposals	-	-
	Cost	-	-
	Accumulated amortisation	-	-
	Carrying value as at 30 June	1 700 451	2 093 119
	Cost	5 250 158	4 679 489.79
	Accumulated amortisation and impairment losses	(3 549 708)	(2 586 370.56)
1.3.	INVESTMENT PROPERTY AT FAIR VALUE		
	Reconciliation of fair value		
	Balance as at 1 July	182 357 250	179 157 250
	Acquisitions	-	3 200 000
	Amortisation for the year	-	-
	Fair value of disposals	-	-
	Impairment loss / Reversal of impairment loss	-	-
	Transfers	-	-
	Other movements	-	-
	Carrying value as at 30 June	182 357 250	182 357 250
	No Investment property have been pledged as security		
	The effective date of the revaluations was 30 June 2011. Revaluations were performed by independent valuers, DDP Valuers, which are not connected to the entity and have recent experience in location and category of the investment property being valued.		
	The valuation was based on 2011's fair value.		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R	
2	NON-CURRENT RECEIVABLES			
	Sundry Loans	21 450	25 723	
	Less: Current portion transferred to current assets	(19 587)	(22 834)	
	Total	1 863	2 889	
3	INVENTORY			
	Consumable Stores – at Cost	6 021 484	4 850 926	
	Unsold water - at Cost	107 516	181 750	
		6 129 001	5 032 676	
	<i>Surplus Inventory to the amount of R206,941 (2011 - R 67 246.57 loss) have been accounted during the year under review. This is mainly due to old electrical cables being written-off.</i>			
	<i>Included in consumable stock, is slow moving stock (stock showing no movement for the last 120 days) amounting to R 1,913,956 (2011 - R 1 216 842.34). Management is in a process to do impairment tests on this items with the assistance of the technical departments.</i>			
	<i>The value and quantity of unsold water at year-end was calculated on a management estimate based on the % of the capacity of the water storage facilities and the cost per kl water purified during the financial year.</i>			
4	TRADE RECEIVABLES			
	As at 30 June 2012	Gross Balances	Provision for Bad Debts	Net Balance
	Trade receivables from Exchange Transactions	40 582 391	6 870 542	33 711 850
	Trade receivables from Non-Exchange Transactions	4 170 550	985 115	3 185 435
		44 752 941	7 855 656	36 897 285
	Trade receivables from Exchange Transactions	Gross Balances	Provision for Bad Debts	Net Balance
		R	R	R
	Consumer Debtors per group			
	//Khara Hais Municipality	14 122	-	14 122
	Business	8 087 772	3 012 360	5 075 413
	District	147 493	111 026	36 467
	Domestic	7 943 097	1 489 555	6 453 542
	Farming	1 149 570	402 163	747 406
	General	489 530	178 894	310 636
	Government	4 680 702	453 419	4 227 283
	Industrial	1 737 269	314 332	1 422 937
	Other	1 081 385	908 794	172 592
	Schools/Colleges/University	2 394 562	-	2 394 562
	Sub-Total	27 725 503	6 870 542	20 854 961
	Amounts received in advance	266 886	-	266 886
	Provision for income not yet billed	12 590 003	-	12 590 003
	Total	40 582 391	6 870 542	33 711 850

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R	
	Trade receivables from Non-Exchange Transactions	Gross Balances	Provision for Bad Debts	Net Balance
	As at 30 June 2012	R	R	R
	Consumer Debtors per group			
	//Khara Hais Municipality	-	-	-
	Business	580 504	254 695	325 809
	District	38 813	31 632	7 181
	Domestic	2 041 542	8 491	2 033 051
	Farming	681 684	495 192	186 492
	General	31 476	29 770	1 706
	Government	(42 765)	33 761	(76 526)
	Industrial	82 573	28 375	54 197
	Other	146 909	102 782	44 127
	Schools/Colleges/University	(12 030)	416	(12 446)
	Sub-Total	3 548 706	985 115	2 563 591
	Amounts received in advance	621 844	-	621 844
	Total	4 170 550	985 115	3 185 435
	As at 30 June 2011	Gross Balances	Provision for Bad Debts	Net Balance
	Trade receivables from Exchange Transactions	50 337 499	14 392 864	35 944 635
	Balance Previously Reported	39 854 614	14 392 864	25 461 750
	Correction of Error - refer to note 36.11	10 482 885	-	10 482 885
	Trade receivables from Non-Exchange Transactions	5 423 326	2 694 309	2 729 017
		55 760 825	17 087 173	38 673 652
	Trade receivables from Exchange Transactions	Gross Balances	Provision for Bad Debts	Net Balance
		R	R	R
	Consumer Debtors per group			
	//Khara Hais Municipality	(1 627)	-	(1 627)
	Business	5 557 144	1 193 350	4 363 794
	District	80 296	37 726	42 569
	Domestic	16 765 598	8 702 712	8 062 886
	Farming	8	-	8
	General	363 045	100 014	263 032
	Government	8 725 421	869 748	7 855 672
	Industrial	1 235 371	104 671	1 130 700
	Other	4 036 738	3 047 943	988 794
	Schools/Colleges/University	1 658 198	336 699	1 321 499
	Sub-Total	38 420 191	14 392 864	24 027 327
	Amounts received in advance	1 434 423	-	1 434 423
	Provision for income not yet billed	10 482 885	-	10 482 885
	Total	50 337 499	14 392 864	35 944 635

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
------	-------------	-----------	-----------

	Trade receivables from Non-Exchange Transactions	Gross Balances	Provision for Bad Debts	-
	As at 30 June 2011	R	R	R
	Consumer Debtors per group			
	//Khara Hais Municipality	-	-	-
	Business	96 699	92 653	4 046
	District	30 897	26 234	4 663
	Domestic	3 374 405	1 622 149	1 752 256
	Farming	(8)	-	(8)
	General	29 002	2 313	26 689
	Government	265 876	105 352	160 524
	Industrial	72 653	15 574	57 079
	Other	1 146 392	829 704	316 689
	Schools/Colleges/University	(29 544)	331	(29 875)
	Sub-Total	4 986 372	2 694 309	2 292 064
	Amounts received in advance	436 953	-	436 953
	Total	5 423 326	2 694 309	2 729 017
	Trade and other receivables past due but not impaired			
	Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2012 R3,126,105 (2011: R 4 636 755) were past due but not impaired.			
	The ageing of amounts past due but not impaired is as follows:			
	1 month past due		1 302 379	1 713 868
	2 months past due		1 002 477	1 467 251
	3 months past due		821 248	1 455 637
			3 126 105	4 636 755

5	OTHER RECEIVABLES		
	Sundry Debtors	279 108	151 853
	SARS VAT Claim	-	567 411
	Monies Receivable - Various Departments	9 498 563	6 508 282
		9 777 671	7 227 546
	Due to the short term nature of these items, the carrying value approximated the fair value		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
------	-------------	-----------	-----------

6	SHORT TERM INVESTMENTS		
	Total short-term Investments	8 037 163	12 057 284
	Less: Investments qualifying as Cash and Cash Equivalents	(6 388 694)	(6 294 153)
		1 648 469	5 763 131
	Investments with a maturity term of less than 3 months (90 days) are reclassified and disclosed as cash and cash equivalents.		
	It is council policy to invest surplus cash for periods not exceeding 12 months.		
	Investments to the amount of R2,625,352 (2011 - R 2 647 644) are ring-fenced specifically for employee trust accounts. Refer to note 9 for Employee benefits in trust		

7	CASH AND CASH EQUIVALENTS		
	Cashier's Float	3 660	3 660
	Petty Cash	2 100	2 000
	Investments qualifying as Cash and Cash Equivalents	6 388 694	6 294 153
	Total Cash and Cash Equivalents	6 394 454	6 299 813

8	NON-CURRENT BURROWINGS		
	Annuity Loans	93 620 522	76 762 263
	Less : Current portion transferred to current liabilities	(11 713 725)	(6 555 474)
	Total External Loans	81 906 797	70 206 788
	<i>(Refer to Appendix A for more detail on long-term liabilities)</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
9	TRUST ACCOUNTS		
	Gordonia Fund	-	-
	Balance Previously Reported		364 284
	Correction of Error - refer to note 36.5		(364 284)
	Employee Benefit Trust Accounts	2 625 352	2 647 644
	Total Trust Accounts	2 625 352	2 647 644
	Gordonia Fund		
	Balance at Beginning and end of the year	-	-
	Employee Benefit Trust Accounts		
	Balance at Beginning of Year	2 647 644	2 119 748
	Received	28 897	548 700
	Capital Withdraw	(150 881)	(102 259)
	Interest Received	136 265	124 412
	Interest Withdraw	(36 573)	(42 957)
	Balance at End of Year	2 625 352	2 647 644
	<i>(Employee benefit trust accounts are kept in trust for beneficiaries of deceased employees. These amounts are invested in separate investment accounts and utilised in terms of the stipulations of the Curator of the Estate).</i>		
10	EMPLOYEE BENEFITS		
	Post Retirement Medical Benefits	60 765 626	37 196 505
	Balance Previously Reported	-	-
	Correction of Error - refer to note 36.6	60 765 626	37 196 505
	Long-Service Awards	5 514 105	5 667 255
	Balance Previously Reported	-	-
	Correction of Error - refer to note 36.6	5 514 105	5 667 255
	Total Non-current Employee Benefit Liabilities	66 279 731	42 863 760
10.1	POST RETIREMENT MEDICAL BENEFITS		
		2012	2011
	Balance 1 July	54 950 194	43 923 022
	Contribution for the year	2 953 158	1 944 709
	Interest Cost	4 711 414	3 980 261
	Expenditure for the year	(1 708 739)	(1 662 800)
	Actuarial Loss	1 670 123	6 765 002
		62 576 150	54 950 194
	Less: Transfer of Current	(1 810 524)	(1 655 808)
	Net Post-Employment Health Care Benefit Liability	60 765 626	53 294 386

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
10.2	LONG SERVICE AWARDS		
	Balance 1 July	9 196 531	7 569 739
	Contribution for the year	1 046 948	894 298
	Interest Cost	640 415	641 772
	Expenditure for the year	(1 096 990)	(896 389)
	Actuarial Loss	1 095 011	987 111
		<u>10 881 915</u>	<u>9 196 531</u>
	Less: Transfer of Current	<u>(1 308 732)</u>	<u>(1 096 990)</u>
	Net Long Service Awards Liability	<u>9 573 183</u>	<u>8 099 541</u>
	TOTAL NON-CURRENT EMPLOYEE BENEFITS		
	Balance 1 July	64 146 725	51 492 761
	Contribution for the year	4 000 106	2 839 007
	Interest Cost	5 351 829	4 622 033
	Expenditure for the year	(2 805 729)	(2 559 189)
	Actuarial Loss	2 765 134	7 752 113
		<u>73 458 065</u>	<u>64 146 725</u>
	Less: Transfer of Current	<u>(3 119 256)</u>	<u>(2 752 798)</u>
	Net Post-Employment Health Care Benefit Liability	<u>70 338 809</u>	<u>61 393 927</u>
	Post Retirement Benefits		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	- In-service (employees) members	417	395
	- In-service (employee) non-members	424	400
	- Continuation members (e.g. Retirees, widows, orphans)	62	62
	Total	<u>903</u>	<u>857</u>
	The liability in respect of past service has been estimated to be as follows:		
	- In-service members	35 098 604	30 072 636
	- Continuation members	27 477 546	24 877 558
		<u>62 576 150</u>	<u>54 950 194</u>
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
	- Bonitas		
	- Global Health		
	- LA Health		
	- Keyhealth		
	- Samwumed		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
	Key actuarial assumptions used:		
	The principal assumptions used for the purposes of the actuarial valuations were as follows:		
	Rate of interest		
	Discount rate	7.91%	8.70%
	Health Care Cost Inflation Rate	6.90%	7.30%
	Net Effective Discount Rate	0.95%	1.31%

Mortality rates					
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries					
Normal retirement age					
It has been assumed that in-service members will retire at the age of 55, which then implicitly allows for expected rates of early and ill-health retirement.					
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	62 576 150	54 950 194			
Net liability/(asset)	62 576 150	54 950 194			
The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155(a)					
Balance 1 July	54 950 194	43 923 022			
Contribution for the year	2 953 158	1 944 709			
Interest Cost	4 711 414	3 980 261			
Expenditure for the year	(1 708 739)	(1 662 800)			
Actuarial Loss	1 670 123	6 765 002			
	62 576 150	54 950 194			
Less: Transfer of Current	(1 810 524)	(1 655 808)			
Net Post-Employment Health Care Benefit Liability	60 765 626	53 294 386			
Sensitivity Analysis on the Accrued Liability					
Assumption	In-Service members liability R	Continuation member liability R	Total liability R		
Central Assumptions	35 098 604	274 775	625 762		
The effect of movements in the assumptions are as follows:					
Assumptions	Change	In-Service members liability R	Continuation member liability R	Total liability R	Change %
Health care inflation	1%	42 856 000	30 667 000	73 523 000	17%
Health care inflation	-1%	28 951 000	24 747 000	53 698 000	-14%
Post-Retirement mortality	-1 year	36 332 000	28 538 000	64 870 000	4%
Average retirement age	-1 year	38 377 000	27 478 000	65 855 000	5%
Withdrawal Rate	-50%	38 869 000	27 478 000	66 347 000	6%

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
	Long Service Bonuses	Employees	Employees
	The Long Service Bonus plans are defined benefit plans		
	As at year end, the following number of employees were eligible for Long Service Bonuses	841	778
	Rate of interest		
	Discount rate	6.58%	7.46%
	General Salary Inflation (Long-Term)	6.19%	6.23%
	Nett Effective Discount Rate applied to salary-related Long Service Bonuses	0.37%	1.15%
	The amounts recognised in the Statement of Financial Position are as follows:		
	Present value of fund obligations	10 881 915	9 196 531
	Net liability	10 881 915	9 196 531
	Balance 1 July	9 196 531	7 569 739
	Contribution for the year	1 046 948	894 298
	Interest Cost	640 415	641 772
	Expenditure for the year	(1 096 990)	(896 389)
	Actuarial Loss	1 095 011	987 111
		10 881 915	9 196 531
	Less: Transfer of Current	(1 308 732)	(1 096 990)
	Net Post-Employment Health Care Benefit Liability	9 573 183	8 099 541
	Sensitivity Analysis on the Accrued Liability		
	Assumptions	Change	Liability R
	Central assumptions	-	10 881 915
	General salary inflation	+ 1%	11 640 000
	General salary inflation	- 1%	10 199 000
	Average retirement age	-2 yrs	9 738 000
	Average retirement age	+2 yrs	11 835 000
	Withdrawal rates	-50%	12 682 000
			Change R
			-
			7%
			-6%
			-11%
			9%
			17%
11	NON-CURRENT PROVISIONS		
	Post Retirement Medical Benefits	-	-
	Balance Previously Reported		37 196 505
	Correction of Error - refer to note 36.7		(37 196 505)
	Long-Service Awards	-	-
	Balance Previously Reported		5 667 255
	Correction of Error - refer to note 36.7		(5 667 255)
	Landfill Site - Environmental Rehabilitation	-	1 321 268
	Balance at the end of the period	-	1 321 268

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
11.1	<u>Landfill Site - Environmental rehabilitation</u>		
	Balance beginning of the period	1 321 268	1 311 152
	Contributions	2 041	10 116
		<u>1 323 308</u>	<u>1 321 268</u>
	Less: Transfer of Current Portion	(1 323 308)	-
	Balance at the end of the period	<u><u>-</u></u>	<u><u>1 321 268</u></u>
	//Khara Hais Municipality currently operates a landfill site. Environmental rehabilitation – environmental obligation to rehabilitate the various landfill sites upon closure.		
12	CONSUMER DEPOSITS		
	Electricity and Water	5 435 809	4 941 705
	Sundry	718 159	796 959
	Balance Previously Reported		845 729
	Correction of Error - refer to note 36.4		(48 770)
	Total Consumer Deposits	<u><u>6 153 968</u></u>	<u><u>5 738 665</u></u>
	Guarantees Held In Lieu of Electricity and Water Deposits	<u><u>130 170</u></u>	<u><u>130 170</u></u>
	<i>Council's policy do not allow for the payment of interest on the deposits held by the municipality.</i>		
13	CURRENT EMPLOYEE BENEFITS		
	Current portion of Post employment benefits transferred	1 810 524	1 655 808
	Balance Previously Reported		-
	Correction of Error - refer to note 36.8		1 655 808
	Current portion of Long service awards transferred	1 308 732	1 096 990
	Balance Previously Reported		-
	Correction of Error - refer to note 36.8		1 096 990
	Balance at the end of the period	<u><u>3 119 256</u></u>	<u><u>2 752 798</u></u>
14	PROVISIONS		
	Performance Bonusss	679 288	722 921
	Balance Previously Reported		1 179 129
	Correction of Error - refer to note 36.9		(456 208)
	Current portion of Post employment benefits transferred	-	-
	Balance Previously Reported		1 655 808
	Correction of Error - refer to note 36.9		(1 655 808)
	Current portion of Long service awards transferred	-	-
	Balance Previously Reported		1 096 990
	Correction of Error - refer to note 36.9		(1 096 990)
	Current portion of Non-Current Provisions	1 323 308	-
	Total Current Provisions	<u><u>2 002 596</u></u>	<u><u>722 921</u></u>

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
	Performance bonuses		
	Balance beginning of the period	722 921	937 510
	Balance Previously Reported		1 393 718
	Correction of Error - refer to note 36.9		(456 208)
	Performance bonuses paid	(481 753)	(632 527)
	Contributions	438 120	417 938
	Balance at the end of the period	679 288	722 921
15	TRADE AND OTHER PAYABLES		
	Trade Creditors	29 157 504	21 342 118.21
	Balance Previously Reported		7 863 066
	Correction of Error - refer to note 36.1		2 795 673
	Payments Received in Advance	888 730	1 871 376
	Retentions	1 446 558	1 915 350
	Unidentified Deposits	1 331 463	1 259 717
	Other Creditors	296 485	228 012
	Leave Accrual - Normal leave	13 175 709	10 668 008
	Leave Accrual - Long-service leave	222 420	248 962
	Grants repayable to National Treasury	-	14 900 000
		46 518 869	52 433 542
	Due to the short term nature of these items, the carrying value approximated the fair value		
	Leave accrual - Normal Leave		
	Balance beginning of the period	10 668 008	8 558 713
	Balance Previously Reported		5 394 468
	Correction of Error - refer to note 36.1		3 164 246
	Correction	-	(11 970)
	Leave payments	(1 103 085)	(607 763)
	Contributions	2 002 571	2 729 028
	Balance Previously Reported		3 028 389
	Correction of Error - refer to note 36.1		(299 360)
	Balance at the end of the period	11 567 494	10 668 008
	Leave accrual - Long-service Leave		
	Balance beginning of the period	248 962	146 773
	Leave payments	(203 452)	(472 484)
	Contributions	176 910	574 672
	Balance at the end of the period	222 420	248 962
	Provision for leave values due to employees is calculated in terms of the standard conditions of employment. Provision for long service leave values due to employees is calculated in terms of councils policy.		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
16	UNSPENT CONDITIONAL GRANTS AND DONATIONS		
16.1	Conditional Grants From Other Spheres of Government	30 334 908	5 809 508
	FMG	(604 338)	684 905
	MSIG	(353 331)	403 342
	Provincial grants	1 024 679	823 122
	MIG	23 615 090	1 030 430
	Balance Previously Reported		2 613 471
	Correction of Error - refer to note 36.2		(1 583 041)
	Other	2 310 616	915 831
	Balance Previously Reported		898 403
	Correction of Error - refer to note 36.2		17 428
	Provincial LED Projects	101 593	288 956
	EPWP	4 099 365	1 521 889
	Health	141 033	141 033
	INEP	200	-
	Housing	-	-
16.2	Conditional Public Grants and Donations	30 000	20 000
	Other	30 000	20 000
	Unspent Conditional Grants and Donations	30 364 908	5 829 508
	<i>See Note 18 for reconciliation of grants from other spheres of government. Some of these amounts are invested in a ring-fenced investment until utilised.</i>		
	Due to the short term nature of these items, the carrying value approximated the fair value		
17	VAT PAYABLE		
	VAT Payable	1 053 441	3 250 601
	Balance Previously Reported		3 593 929
	Correction of Error - refer to note 36.3		(343 328)
		1 053 441	3 250 601
	<i>VAT is payable on the cash basis. Only once payment is received from debtors is VAT paid over to SARS and claimed from SARS when actual payment of creditors are done.</i>		
18	BANK OVERDRAFT		
	Bank overdraft - ABSA Bank (Account 22-4000-0051)	10 297 917	1 367 555
	Current Account (Primary Bank Account)		
	ABSA Bank Limited - Upington Branch: Account Number 22-4000-0051		
	Cash Book Balance at Beginning of Year – Overdrawn	(1 367 555)	(3 772 523)
	Cash Book Balance at End of Year - Overdrawn	(10 297 917)	(1 367 555)
	Bank Statement Balance at Beginning of Year	5 356 932	10 893 201
	Bank Statement Balance at End of Year	3 820 939	5 356 932

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
19	ACCUMULATED SURPLUS		
	Accumulated surplus / (deficit)	2 031 615 364	2 168 595 065
		2 031 615 364	2 168 595 065
	Reconciliation of actual Surplus/(Deficit) for the year		
	Surplus/(Deficit) as per Statement of Financial Performance	(136 928 857)	(158 151 008)
	Plus:	100 776 553	99 498 819
	Depreciation	111 189 720	112 108 357
	Redemption on external loans	(10 413 167)	(12 609 538)
	Less:	11 859 377	14 872 916
	Government grants and subsidies - Capex	(13 633 831)	(8 719 046)
	Employee Benefits - Contribution to provisions	25 493 209	23 591 962
	Actual Surplus/(Deficit) for the year	(24 292 926)	(43 779 274)
	Reconciliation of Actual Surplus / (Deficit)		
	Overspending on employee related costs	(3 135 351)	(7 722 598)
	Insufficient redemption on external budgeted for	(20 080 022)	(4 492 080)
	Interest on investments not realised	511 286	(1 144 081)
	Island Resort revenue not realised due to floods	-	(2 229 156)
	Other revenue and expenditure	(1 588 841)	1 040 743
	Actual Surplus/(Deficit) for the year	(24 292 926)	(14 547 172)
20	PROPERTY RATES		
	General Rates		
	Total Assessment Rates	43 340 022	39 471 694
	Valuations	30/06/2012	30/06/2011
		R 000's	R 000's
	Residential & Commercial	4 792 037 960	3 654 311 760
	Agricultural	488 330 660	483 688 840
	State	239 594 300	239 594 300
	Non Rateable	213 249 270	220 431 460
	Total Property Valuations	5 733 212 190	4 598 026 360
	<i>Valuations on land and buildings are performed every four years. The general valuation came into effect on 1 July 2010. A general rate of R 0.012624 (2011 - R 0.010914) were applied to property valuations to determine assessment rates. Rebates of 20% were granted to state property owners until 30 June 2011. Rates are levied on an annual or monthly basis on properties depending on the choice made by the property owner. The final date of payment for annually levied rates was 31 October 2011 and monthly levied by the 15th of the following month. Interest is levied on outstanding rates.</i>		
21	SERVICE CHARGES		
	Sale of Electricity	171 615 060	143 213 229
	Balance Previously Reported		141 878 920
	Correction of Error - refer to note 36.12		1 334 310
	Sale of Water	37 085 782	35 861 451
	Balance Previously Reported		35 926 664
	Correction of Error - refer to note 36.12		(65 213)
	Refuse Removal	16 947 731	14 390 367
	Sewerage and Sanitation Charges	23 064 887	20 356 008
		248 713 460	213 821 055

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
22	GOVERNMENT GRANTS AND SUBSIDIES		
	Government Grants and Subsidies - Operating	54 618 184	45 570 005
	Balance Previously Reported		44 676 899
	Correction of Error - refer to note 36.12		(842 261)
	Government Grants and Subsidies - Capital	13 633 831	8 719 046
	Total Government Grants and Subsidies	68 252 015	54 289 052
	Equitable Share	46 120 000	40 531 654
	Health Subsidy	1 170 000	1 104 000
	SETA Training Subsidy	763 414	319 631
	COGHSTA Subsidy	-	800 000
	Housing Grants	1 384 400	50 525
	District Municipality	9 368	-
	Health grant (Electrical Connection)	-	107 827
	INEP	1 828 800	310 000
	Provincial	353 443	754 792
	MIG	9 826 340	6 624 635
	Balance Previously Reported		(5 782 054)
	Correction of Error - refer to note 36.12		(842 581)
	MSIG	1 381 673	511 728
	Provincial LED Projects	187 363	51 226
	FMG	2 395 242	859 633
	Other Conditional Grants	617 105	535 135
	EPWP Grants	1 374 467	1 728 266
	DWAF	840 400	-
	Total Government Grants and Subsidies	68 252 015	54 289 052
22.1	Equitable Share, Health and SETA Subsidies		
	<i>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy to a maximum of R243.66 (2011 - R 222.78), which is funded from this grant.</i>		
	<i>The Health & SETA subsidies are utilised to finance the operations of the specific departments (Primary Health & Human Resources) within the municipality.</i>		
22.2	Health grant (Electrical Connection)		
	Balance unspent at beginning of year	141 033	141 033
	Current year receipts -	-	107 827
	Other transfers	-	-
	Conditions met - transferred to revenue	-	(107 827)
	Conditions still to be met - transferred to liabilities (see Note 16)	141 033	141 033
22.3	INEP Grant		
	Balance unspent at beginning of year	-	-
	Current year receipts -	1 829 000	310 000
	Other transfers	-	-
	Conditions met - transferred to revenue	(1 828 800)	(310 000)
	Conditions still to be met - transferred to liabilities (see Note 16)	200	-
22.4	Provincial Grants		
	Balance unspent at beginning of year	823 122	1 057 914
	Current year receipts	555 000	520 000
	Conditions met - transferred to revenue	(353 443)	(754 792)
	Conditions still to be met - transferred to liabilities (see Note 16)	1 024 679	823 122
	<i>The grant was utilised for the upgrading of library infrastructure and equipment as well as operating expenditure.</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
22.5	MIG		
	Balance unspent at beginning of year	1 030 430	10 632 065
	Balance Previously Reported		11 372 525
	Correction of Error - refer to note 22.9 & 36.12		(740 460)
	Current year receipts	19 611 000	11 923 000
	MIG Roll-Over not approved	(2 100 000)	(14 900 000)
	MIG Roll-Over approved	14 900 000	
	Conditions met - transferred to revenue	(9 826 340)	(6 624 635)
	Balance Previously Reported		(5 782 054)
	Correction of Error - refer to note 36.12		(842 581)
	Conditions still to be met - transferred to liabilities (see Note 16)	23 615 090	1 030 430
	<i>The Municipal infrastructure grant is utilised for the construction of infrastructure in terms of the conditions of the grant. Due to critical vacant position within the Technical department, all MIG-projects could not be completed.</i>		
22.6	MSIG		
	Balance unspent at beginning of year	403 342	165 070
	Current year receipts -	790 000	750 000
	Withheld	(165 000)	-
	Conditions met - transferred to revenue	(1 381 673)	(511 728)
	Conditions still to be met - transferred to liabilities (see Note 16)	(353 331)	403 342
22.7	Provincial LED Projects		
	Balance unspent at beginning of year	288 956	340 182
	Current year receipts	-	-
	Adjustments directly against grant account	-	-
	Conditions met - transferred to revenue	(187 363)	(51 226)
	Conditions still to be met - transferred to liabilities (see Note 16)	101 593	288 956
	<i>Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government (included in Council General vote in Appendix D). No funds have been withheld.</i>		
22.8	FMG		
	Balance unspent at beginning of year	684 905	344 538
	Current year receipts	1 450 000	1 200 000
	Withheld	(344 000)	-
	Conditions met - transferred to revenue	(2 395 242)	(859 633)
	Conditions still to be met - transferred to liabilities (see Note 16)	(604 338)	684 905
22.9	Other		
	Balance unspent at beginning of year	935 831	653 011
	Balance Previously Reported		635 583
	Correction of Error - refer to note 22.5		17 428
	Current year receipts	2 011 890	887 954
	Other transfers	-	(70 000)
	Conditions met - transferred to revenue	(617 105)	(535 135)
	Conditions still to be met - transferred to liabilities (see Note 16)	2 330 616	935 831
22.10	EPWP		
	Balance unspent at beginning of year	1 521 889	1 556 465
	Current year receipts	3 951 943	1 693 690
	Other transfers	-	-
	Conditions met - transferred to revenue	(1 374 467)	(1 728 266)
	Conditions still to be met - transferred to liabilities (see Note 16)	4 099 365	1 521 889
22.11	DWAF		
	Balance unspent at beginning of year	-	-
	Current year receipts	840 400	-
	Other transfers	-	-
	Conditions met - transferred to revenue	(840 400)	-
	Conditions still to be met - transferred to liabilities (see Note 16)	-	-

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
23	OTHER INCOME		
	Commission	309 256	302 281
	Insurance Claims	384 584	279 488
	Plan fees	346 277	511 487
	Retention Fees Cancelled	262 234	-
	Other	1 900 433	2 068 139
	Total Other Income	3 202 785	3 161 394
24	EMPLOYEE RELATED COSTS		
	Employee Related Costs - Salaries and Wages	122 320 126	105 052 488
	Balance Previously Reported		105 351 849
	Correction of Error - refer to note 36.12		(299 360)
	Employee Related Costs - Contributions for UIF, Pension, Medical Aid Funds, WCA and Group Life Insurance	27 945 433	23 980 756
	Housing Benefits and Allowances	336 186	355 731
	Overtime Payments	7 554 847	9 485 058
	Performance Bonus	438 120	417 938
	Long-Service Awards	203 452	226 754
	Additional Pension Fund contributions per Fund rules	-	8 219
		158 798 163	139 526 944
	Less: Employee Costs Capitalised	(569 193)	-
	Total Employee Related Costs	158 228 971	139 526 944
	<i>There were no advances to employees.</i>		
24.1	Remuneration of the Municipal Manager		
	Annual Remuneration	728 984	728 526
	Car Allowance	150 969	156 060
	Contributions to Pension, Group Life & Medical Aid Funds	122 619	15 428
	Performance Bonuses	104 413	77 000
	Total	1 106 986	977 013
24.2	Remuneration of the Chief Financial Officer	10 months	
	Annual Remuneration	535 000	600 000
	Car Allowance	78 608	93 611
	Contributions to Pension, Group Life & Medical Aid Funds	138 729	157 408
	Performance Bonuses	109 652	83 714
	Total	861 990	934 733
24.3	Remuneration of the Director Technical Services		
	Annual Remuneration	685 200	637 200
	Car Allowance	46 990	56 444
	Contributions to Pension, Group Life & Medical Aid Funds	172 193	159 743
	Performance Bonuses	93 987	80 604
	Total	998 370	933 990
24.4	Remuneration of the Director Corporate Services		
	Annual Remuneration	648 940	611 700
	Car Allowance	69 913	65 854
	Contributions to Pension, Group Life & Medical Aid Funds	129 876	122 614
	Performance Bonuses	93 987	116 678
	Total	942 716	916 846
24.5	Remuneration of the Director Development Services		
	Annual Remuneration	786 229	650 452
	Car Allowance	115 080	108 480
	Contributions to Pension, Group Life & Medical Aid Funds	1 497	1 497
	Performance Bonuses	79 714	134 315
	Total	982 520	894 744
	<i>Performance bonuses paid was for the 2009/2010 financial year. Performance bonuses for the 2010/2011 and 2011/2012 financial years is provided as set out in Note 12.</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
25	REMUNERATION OF COUNCILLORS		
	Mayor	653 974	599 159
	Speaker	527 114	483 010
	Executive Committee Members	998 820	978 321
	Councillors	4 067 303	3 082 172
	Councillors' Pension / Medical Aid Contribution	283 873	190 929
	Total Councillors' Remuneration	6 531 083	5 333 590
	<i>In-kind Benefits</i>		
	<i>The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.</i>		
	<i>The Mayor has use of a Council owned vehicle for official duties.</i>		
26	CONTRIBUTIONS TO PROVISIONS		
26.1	Bad debts	4 830 308	783 503
		4 830 308	783 503
26.2	Other contributions		
	Landfill site	2 041	10 116
	Employee Benefits - Post Retirement Medical Benefit	25 432 576	20 738 912
	Employee Benefits - Long Service	58 592	2 842 935
		25 493 209	23 591 962
27	DEPRECIATION AND ASSET IMPAIRMENT		
	Depreciation on PPE	109 453 226	110 908 691
	Balance Previously Reported		140 140 792
	Correction of Error - refer to note 36.12		(29 232 102)
	Depreciation on Intangible Assets	963 337	1 199 666
	Impairment loss on PPE	773 156	-
		111 189 720	112 108 357
28	REPAIRS AND MAINTENANCE		
	Electricity Transmission and Reticulation	641 599	694 554
	General Vehicles	4 761 572	5 288 509
	Balance Previously Reported		5 288 409
	Correction of Error - refer to note 36.12 & 36.15		100
	Other Buildings	2 046 669	1 889 532
	Balance Previously Reported		1 887 001
	Correction of Error - refer to note 36.12 & 36.15		2 531
	Plant and Equipment	1 025 305	948 431
	Water Reticulation	472 246	329 403
	Other	1 523 889	1 314 596
	Balance Previously Reported	-	1 311 040
	Correction of Error - refer to note 36.15	-	3 557
		10 471 280	10 465 025
29	FINANCE COSTS		
	Non-current borrowings	9 416 932	7 594 126
		9 416 932	7 594 126

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
30	BULK PURCHASES		
	Electricity	101 576 879	80 433 469
	Balance Previously Reported		77 981 124
	Correction of Error - refer to note 36.12		2 452 345
	Water	4 679 173	1 667 049
	Balance Previously Reported		1 426 612
	Correction of Error - refer to note 36.12		240 437
		106 256 052	82 100 517
31	CONTRACTED SERVICES		
	Traffic Control Contracts	762 894	629 682
	Legal Costs	1 809 708	1 486 425
	Professional Fees	4 724 364	5 791 516
	Commission Prepaid Electricity	524 537	692 119
	Storm Water Management Master Plan	556 290	-
	Other	1 272 326	1 520 054
	Balance Previously Reported		3 839 640
	Correction of Error - refer to note 36.14		(2 319 585)
		9 650 118	10 119 797
32	GRANTS AND SUBSIDIES PAID		
	Donations	737 543	670 411
	Bursaries & Other	179 800	184 998
		917 343	855 409
33	OPERATING PROJECTS		
	Other	506 857	1 049 515
		506 857	1 049 515
34	GENERAL EXPENDITURE		
	<i>General Expenditure Includes the Following</i>		
	2010 World Cup Soccer PVA	-	423 724
	Advertisements	577 159	454 375
	Audit Fees	2 687 021	2 319 585
	Balance Previously Reported		-
	Correction of Error - refer to note 36.13		2 319 585
	Bank Charges	681 364	545 576
	Black Plastic Bags	945 464	1 205 629
	Chemicals and Fertilizers	2 035 417	1 821 051
	Cleaning Material	503 054	440 678
	Commission Paid	867 156	1 244 776
	Cultural Festival	1 164 970	-
	Entertainment Costs	440 405	463 758
	Fuel & Oil	6 178 672	5 114 620
	Indigent Assistance	20 159 047	16 116 646
	Insurance Cost	1 354 884	2 251 309
	Job Creation Activities	8 205	-
	Laboratorium Analysis	251 933	196 080

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
	Licence Fees Membership Fees Municipal Consumption Other General Cost Balance Previously Reported Correction of Error - refer to note 36.12 Printing & Stationery Balance Previously Reported Correction of Error - refer to note 36.12 Protective Clothing Balance Previously Reported Correction of Error - refer to note 36.12 Rental: Equipment and Machinery Street Lightening Subsistence & Travel Costs Telephone Cost Training	577 241 366 159 14 754 400 5 117 946 1 722 438 661 657 2 143 993 1 392 111 3 018 734 3 225 860 1 744 927	540 759 774 678 11 236 554 3 330 008 3 332 800 (2 792) 1 285 560 1 284 855 705 582 396 578 762 3 634 1 819 557 2 211 353 2 699 228 2 976 012 1 601 345
		72 580 218	61 655 255
35	RECONCILIATION BETWEEN NET SURPLUS / (DEFICIT) FOR THE YEAR AND CASH GENERATED / (ABSORBED) BY OPERATIONS		
35.1	CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus / (Deficit) for the year	(136 928 857)	(129 208 385)
	<u>Adjustments for:</u>		
	Depreciation on Property, Plant and Equipment	109 453 226	110 908 691
	Amortisation of Intangible Assets	963 337	1 199 666
	Impairment written off	773 156	-
	Gain on disposal of property, plant and equipment	-	(48 193)
	Loss on disposal of property, plant and equipment	557	-
	Debt Impairment	4 830 308	783 503
	Contribution from/to Landfill Sites	2 041	10 116
	Contribution from/to Post Retirement Medical Benefits	25 432 576	20 738 912
	Contribution from/to Long-Service Awards	58 592	2 842 935
	Contribution from/to Landfill Sites - expenditure incurred	-	-
	Contribution from/to Post Retirement Medical Benefits - expenditure incurred	(1 708 739)	(1 662 800)
	Contribution from/to Long-Service Awards - expenditure incurred	-	-
	Contribution from/to Performance Bonus	438 120	417 938
	Contribution from/to Performance Bonus - expenditure incurred	(481 753)	(632 527)
	Operating Surplus/(Deficit) before changes in working capital	2 781 719	5 419 620
	Changes in working capital	9 723 176	(208 005)
	Increase in Trade and Other Payables	(5 914 673)	18 449 818
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	24 535 400	(9 060 771)
	Increase/(Decrease) in Taxes	(2 197 160)	295 089
	(Increase)/Decrease in Inventory	(1 096 324)	(1 248 038)
	(Increase)/Decrease in Trade and other receivables	(5 604 066)	(8 644 103)
	Cash generated/(absorbed) by operations	12 504 896	5 211 614
35.2	CASH & CASH EQUIVALENTS -		
	Cash & Cash Equivalents	6 394 454	6 299 813
	Bank Overdraft	(10 297 917)	(1 367 555)
	Restated balance	(3 903 463)	4 932 258

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
36	CORRECTION OF ERROR (Prior year adjustments)		2010 Adjustments
36.1	Adjustment to Trade and other payables		
	Amount Previously Stated		36 089 605
	Provision for Escom Creditor - 2009/2010 - refer to note 15		8 677 053
	Provision for Escom Creditor - 2010/2011 - refer to note 15		2 795 673
	Correction of Creditors Understated in 2010/2011 - refer to note 15		7 735
	Correction of Leave Understated - 2009/2010 - refer to note 15		3 164 246
	Correction of Leave overstated - 2009/2010 - refer to note 15		(299 360)
	Provision for DWAF - 2009/2010 - refer to note 15		1 758 154
	Provision for DWAF - 2010/2011 - refer to note 15		240 437
	Restated balance		52 433 542
36.2	Adjustment to Unspent Conditional Grants		
	Amount Previously Stated		7 395 121
	Corrections on MIG - refer to note 16.1		(1 583 041)
	Correction of VAT according to Circular 48 - 2009/2010		(723 032)
	Correction of VAT according to Circular 48 - 2010/2011		(842 581)
	Reclassification of NDR 1609 to Other Grants - 2009/2010		(17 428)
	Corrections on Other Grants - refer to note 16.1		17 428
	Reclassification of NDR 1609 to Other Grants - 2009/2010		17 428
	Restated balance		5 829 508
36.3	Adjustment to VAT Payable		
	Amount Previously Stated		3 593 929
	Vat on Bulk Purchases - refer to note 17		(343 328)
	Restated balance		3 250 601
36.4	Consumer Deposits		
	Amount Previously Stated		845 729
	Correction of Consumer Deposits overstated - 2009/2010 - refer to note 12		(48 770)
	Restated balance		796 959
36.5	Trust Accounts		
	Amount Previously Stated		3 011 929
	Correction of Gordonia Trust Overstated - 2009/2010 - refer to note 9		(364 284)
	Restated balance		2 647 645
36.6	Employee Benefits		
	Amount Previously Stated		-
	Reallocation of Post-Employment Health Care Benefits - refer to note 10		37 196 505
	Reallocation of Long Service Awards - refer to note 10		5 667 255
	Restated balance		42 863 760
36.7	Non-Current Provisions		
	Amount Previously Stated		44 185 028
	Reallocation of Post-Employment Health Care Benefits - refer to note 11		(37 196 505)
	Reallocation of Long Service Awards - refer to note 11		(5 667 255)
	Restated balance		1 321 268
36.8	Current Employee Benefits		
	Amount Previously Stated		-
	Reallocation of Post-Employment Health Care Benefits - refer to note 13		1 655 808
	Reallocation of Long Service Awards - refer to note 13		1 096 990
	Restated balance		2 752 798
36.9	Provisions		
	Amount Previously Stated		3 931 927
	Correction of performance bonuses overstated - 2009/2010 - refer to note 14		(456 208)
	Reallocation of Post-Employment Health Care Benefits - refer to note 14		(1 655 808)
	Reallocation of Long Service Awards - refer to note 14		(1 096 990)
	Restated balance		722 921

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
36.10	<i>Property, Plant and Equipment</i>		
	Amount Previously Stated		2 091 670 515
	Correction of PPE at Cost overstated - 2009/2010 - refer to note 1		(4 089 936)
	Correction of Accumulated Depreciation on PPE overstated - 2010/2011 - refer to note 1		29 232 102
	Restated balance		2 116 812 680
36.11	<i>Trade Receivables from Exchange Transactions</i>		
	Amount Previously Stated		28 190 767
	Correction of Service Charges understated - 2009/2010 - refer to note 4		9 213 789
	Correction of Service Charges understated - 2010/2011 - refer to note 4		1 269 096
	Restated balance		38 673 652
36.12	<i>Adjustment to Accumulated Surplus</i>		
	Amount Previously Stated		2 146 535 749
	Correction of VAT according to Circular 48 - 2009/2010 - refer to note 22.5		723 032
	Correction of VAT according to Circular 48 - 2010/2011 - refer to note 22.5		842 581
	Sundry Deposits Corrected		48 770
	Provision for Escom Creditor - 2009/2010 - refer to note 36.1		(8 677 053)
	Correction of Bulk purchases - refer to note 30		(2 452 345)
	Correction of Gordonia Trust Overstated - 2009/2010 - refer to note 36.5		364 283
	Correction of performance bonuses overstated - 2009/2010 - refer to note 36.9		456 208
	Correction of Repairs and Maintenance understated - refer to note 28		(2 631)
	Correction of Other Expenditure understated - refer to note 34		(765)
	Correction of Priting and Stationary understated - refer to note 34		(705)
	Correction of Protective Clothing understated - refer to note 34		(3 634)
	Correction of PPE at Cost overstated - 2009/2010 - refer to note 36.10		(4 089 936)
	Correction of Accumulated Depreciation on PPE overstated - 2010/2011 - refer to note 1		29 232 102
	Correction of Leave Understated - 2009/2010 - refer to note 36.1		(3 164 246)
	Correction of Leave overstated - 2009/2010 - refer to note 24		299 360
	Correction of Service Charges understated - 2009/2010 - refer to note 36.11		9 213 789
	Correction of Service Charges understated - 2010/2011 - refer to note 21		1 269 096
	Correction of Bulk purchases understated - 2009/2010 - refer to note 36.1		(1 758 154)
	Correction of Bulk purchases understated - 2010/2011 - refer to note 36.1		(240 437)
	Restated balance		2 168 595 065
	<i>Adjustment to Statement of Financial Performance</i>		
	Amount Previously Stated		(158 151 008)
	Correction of VAT according to Circular 48 - 2010/2011 - refer to note 22.5		842 581
	Correction of Bulk purchases - refer to note 30		(2 452 345)
	Correction of Repairs and Maintenance understated - refer to note 28		(2 631)
	Correction of Other Expenditure understated - refer to note 34		(765)
	Correction of Priting and Stationary understated - refer to note 34		(705)
	Correction of Protective Clothing understated - refer to note 34		(3 634)
	Correction of Accumulated Depreciation on PPE overstated - 2010/2011 - refer to note 1		29 232 102
	Correction of Leave overstated - 2009/2010 - refer to note 24		299 360
	Correction of Service Charges understated - 2010/2011 - refer to note 21		1 269 096
	Correction of Bulk purchases understated - 2010/2011 - refer to note 36.1		(240 437)
	Restated balance		(129 208 385)
36.13	<i>Adjustment to General Expenditure</i>		
	Amount Previously Stated		59 334 123
	Reclassification of Audit Fees - refer to note 34		2 319 585
	Reclassification of Repairs and Maintenance - refer to note 34		(3 557)
	Correction of Other Expenditure understated - refer to note 34		765
	Correction of Priting and Stationary understated - refer to note 34		705
	Correction of Protective Clothing understated - refer to note 34		3 634
	Restated balance		61 655 255
36.14	<i>Adjustment to Contracted Services - Other</i>		
	Amount Previously Stated		10 952 957
	Reclassification of Audit Fees - refer to note 31		(2 319 585)
	Restated balance		8 633 371
36.15	<i>Adjustment to Repairs and Maintenance</i>		
	Amount Previously Stated		10 458 837
	Reclassification of Other Expenditure - refer to note 28		3 557
	Correction of Repairs and Maintenance understated - refer to note 28		2 631
	Restated balance		10 465 025

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
37	RETIREMENT BENEFIT INFORMATION		
	All councillors and employees belong to retirement and pension funds approved by the South African Local Government Bargaining Council. These funds are subject to regular actuarial valuation. These funds are run by their own Board of Directors and each fund have their own rules, compliant to legislation, that they must adhere to.		
38	ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
38.1	Contributions to Organised Local Government		
	Opening Balance	-	512 138
	Council Subscriptions	358 021	755 266
	Amount Paid - Current Year	(358 021)	(1 267 405)
	Balance Unpaid (Included in Creditors)	-	-
38.2	Audit Fees		
	Opening Balance	22 189	-
	Current Year Audit Fees	2 758 271	2 281 904
	Amount Paid - Current Year C00238	(2 780 460)	(2 259 715)
	Balance Unpaid (Included in Creditors)	-	22 189
38.3	VAT		
	VAT input receivables and VAT output receivables are shown in Note 14. All VAT returns have been submitted by the due date throughout the year.		
38.4	PAYE		
	Opening Balance	-	-
	Current Year Payroll Deductions	14 671 769	14 020 736
	Amount Paid - Current Year	(14 669 965)	(14 020 736)
	Balance Unpaid (Included in Creditors)	1 804	-
38.5	Pension and Medical Aid Deductions		
	Opening Balance	-	-
	Current Year Payroll Deductions and Council Contributions	38 496 323	33 763 663
	Amount Paid - Current Year	(38 493 519)	(33 763 663)
	Balance Unpaid (Included in Creditors)	2 804	-
38.6	UIF Payments		
	Opening Balance	-	737
	Current Year Payroll Deductions and Council Contributions	2 001 656	1 737 931
	Amount Paid - Current Year	(2 000 485)	(1 738 667)
	Balance Unpaid (Included in Creditors)	1 170	-
38.7	Councillor's Consumer Accounts in arrear older than 90 days		
	Cllr M Brand	-	2 853
	Cllr M Kock	420	2 589
		420	5 442
38.8	Irregular Expenditure		
	Reconciliation of irregular expenditure:		
	Opening balance	70 675 259	-
	Irregular expenditure current year	7 197 274	78 867 037
	Condoned by Council	(70 675 259)	-
	Correction of Unspent Conditional Grants and Receipts incorrectly Disclosed	-	(8 191 778)
	Irregular expenditure awaiting further action	7 197 274	70 675 259

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R																				
	<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>Quotations not obtained from service providers</td><td>None</td></tr><tr><td>Deviations from Supply Chain for June 2012 not yet approved by Council</td><td>None</td></tr><tr><td>Quotations which amounts were more than the formal quotation threshold</td><td>None</td></tr><tr><td>Purchases made without declaration of "in service of the state" - 2005/2006</td><td>None</td></tr><tr><td>Purchases made without declaration of "in service of the state" - 2006/2007</td><td>None</td></tr><tr><td>Purchases made without declaration of "in service of the state" - 2007/2008</td><td>None</td></tr><tr><td>Purchases made without declaration of "in service of the state" - 2008/2009</td><td>None</td></tr><tr><td>Purchases made without declaration of "in service of the state" - 2009/2010</td><td>None</td></tr><tr><td>Purchases made without declaration of "in service of the state" - 2010/2011</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	Quotations not obtained from service providers	None	Deviations from Supply Chain for June 2012 not yet approved by Council	None	Quotations which amounts were more than the formal quotation threshold	None	Purchases made without declaration of "in service of the state" - 2005/2006	None	Purchases made without declaration of "in service of the state" - 2006/2007	None	Purchases made without declaration of "in service of the state" - 2007/2008	None	Purchases made without declaration of "in service of the state" - 2008/2009	None	Purchases made without declaration of "in service of the state" - 2009/2010	None	Purchases made without declaration of "in service of the state" - 2010/2011	None	5 088 031.58 1 200 648.00 908 593.98 - - - - - - -	- - - 8 080 472 16 931 235 13 788 894 11 753 854 8 704 895 11 415 910 70 675 260
Incident	Disciplinary steps/criminal proceedings																						
Quotations not obtained from service providers	None																						
Deviations from Supply Chain for June 2012 not yet approved by Council	None																						
Quotations which amounts were more than the formal quotation threshold	None																						
Purchases made without declaration of "in service of the state" - 2005/2006	None																						
Purchases made without declaration of "in service of the state" - 2006/2007	None																						
Purchases made without declaration of "in service of the state" - 2007/2008	None																						
Purchases made without declaration of "in service of the state" - 2008/2009	None																						
Purchases made without declaration of "in service of the state" - 2009/2010	None																						
Purchases made without declaration of "in service of the state" - 2010/2011	None																						
		7 197 274	70 675 260																				
38.9	<u>Fruitless and Wasteful Expenditure</u>																						
	Definition as per Municipal Finance Management Act: "fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;																						
	The following fruitless and wasteful expenditure have been incurred by the municipality for the year under review:																						
	Reconciliation of fruitless and wasteful expenditure:	Total 30 June 2012	Total 30 June 2011																				
	Opening balance	156 386	-																				
	Fruitless and wasteful expenditure current year	160 588	156 386																				
	Condoned by Council	(210 064)	-																				
	Fruitless and wasteful expenditure awaiting further action	106 910	156 386																				
	<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>Commitment fees - All loans not taken up as per agreement</td><td>None</td></tr><tr><td>Interest on late payment of creditors</td><td>None</td></tr><tr><td>Interest on late payment of DBSA</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	Commitment fees - All loans not taken up as per agreement	None	Interest on late payment of creditors	None	Interest on late payment of DBSA	None	129 724 19 246 11 618 160 588	156 386 - - 156 386												
Incident	Disciplinary steps/criminal proceedings																						
Commitment fees - All loans not taken up as per agreement	None																						
Interest on late payment of creditors	None																						
Interest on late payment of DBSA	None																						
38.10	<u>Unauthorised</u>																						
	Reconciliation of unauthorised expenditure:	Total 30 June 2012	Total 30 June 2011																				
	Opening Balance	5 610 888	-																				
	Condoned by Council	(5 610 888)	-																				
	Unauthorised expenditure current year	123 523 412	5 610 888																				
	Unauthorised expenditure awaiting authorisation/Condonement	123 523 412	5 610 888																				
	<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>Over expenditure of votes: non-cash items</td><td>None</td></tr><tr><td>Over expenditure of votes: cash items</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	Over expenditure of votes: non-cash items	None	Over expenditure of votes: cash items	None	118 656 750 4 866 662 123 523 412	- 5 610 888 5 610 888														
Incident	Disciplinary steps/criminal proceedings																						
Over expenditure of votes: non-cash items	None																						
Over expenditure of votes: cash items	None																						
38.11	<u>Non-Compliance with the Municipal Finance Management Act</u>																						
	The following non-compliances with the Municipal Finance Management Act occurred during the year under review:																						
	Section 62(1) Section 121(3): The Draft Annual Report was not submitted before or on 31 August. Section 123(1) Section 125(2)(e) Section 121(3)(j) Section 65(2)(a) & (b) Section 62(1)(d) Section 63(1)(a) & 63(2)(a) Section 72(1)(a)(ii) Section 72(1)(b) Section 53(1)(c)																						

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R																																								
39.1	<p>RELATED PARTIES</p> <p>Related party relationships exist between the municipality and the following parties: Mayor, Speaker , Councillors, Municipal Manager and Section 57 Managers.</p> <p>Related party transactions</p> <p>During the year the municipality rendered services to the following related parties that are related to the municipality as indicated</p> <table><tr><td>Com</td><td>Rates</td><td>Services charges & Other levies</td><td>Total 30 June 2012</td></tr><tr><td>Services rendered to related parties:</td><td></td><td></td><td></td></tr><tr><td>Councillors</td><td>47 468</td><td>122 196</td><td>169 664</td></tr><tr><td>Municipal Manager & Sect 57 appointments</td><td>23 516</td><td>45 920</td><td>69 436</td></tr><tr><td></td><td>70 985</td><td>168 116</td><td>239 100</td></tr></table> <table><tr><td>30 June 2011</td><td>Rates</td><td>Services charges & Other levies</td><td>Total 30 June 2011</td></tr><tr><td>Services rendered to related parties:</td><td></td><td></td><td></td></tr><tr><td>Councillors</td><td>36 267</td><td>85 622</td><td>121 889</td></tr><tr><td>Municipal Manager & Sect 57 appointments</td><td>21 959</td><td>37 494</td><td>59 453</td></tr><tr><td></td><td>58 226</td><td>123 116</td><td>181 343</td></tr></table> <p>The rates, service and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised. The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the Municipal Manager and section 57 personnel.</p>	Com	Rates	Services charges & Other levies	Total 30 June 2012	Services rendered to related parties:				Councillors	47 468	122 196	169 664	Municipal Manager & Sect 57 appointments	23 516	45 920	69 436		70 985	168 116	239 100	30 June 2011	Rates	Services charges & Other levies	Total 30 June 2011	Services rendered to related parties:				Councillors	36 267	85 622	121 889	Municipal Manager & Sect 57 appointments	21 959	37 494	59 453		58 226	123 116	181 343		
Com	Rates	Services charges & Other levies	Total 30 June 2012																																								
Services rendered to related parties:																																											
Councillors	47 468	122 196	169 664																																								
Municipal Manager & Sect 57 appointments	23 516	45 920	69 436																																								
	70 985	168 116	239 100																																								
30 June 2011	Rates	Services charges & Other levies	Total 30 June 2011																																								
Services rendered to related parties:																																											
Councillors	36 267	85 622	121 889																																								
Municipal Manager & Sect 57 appointments	21 959	37 494	59 453																																								
	58 226	123 116	181 343																																								
	<p>Related party transactions</p> <p>The following business transactions were concluded with businesses where a councillor are a member or a director of the company.</p> <table><tr><td>Company's Name</td><td>Councillor / Employee</td><td>Total 30 June 2012</td><td>Total 30 June 2011</td></tr><tr><td>Batho Pele Helpende Hand Begrafnisondernemers CC</td><td>B Adams - No longer a councillor</td><td>-</td><td>32 750</td></tr><tr><td>Van der Steen: Pomp en Pyp</td><td>PT van der Steen is a Councillor and owner of Van Der Steen Pomp en Pyp</td><td>1 220</td><td>-</td></tr><tr><td>Help-U-Agency</td><td>S Esau Owner of Help-U-Agencies is the father of EJJ Esau who is the Manager: SCM</td><td>30 000</td><td></td></tr><tr><td></td><td></td><td>31 220</td><td>32 750</td></tr></table> <p>The compensation of key management personnel is set out in Note 22.</p>	Company's Name	Councillor / Employee	Total 30 June 2012	Total 30 June 2011	Batho Pele Helpende Hand Begrafnisondernemers CC	B Adams - No longer a councillor	-	32 750	Van der Steen: Pomp en Pyp	PT van der Steen is a Councillor and owner of Van Der Steen Pomp en Pyp	1 220	-	Help-U-Agency	S Esau Owner of Help-U-Agencies is the father of EJJ Esau who is the Manager: SCM	30 000				31 220	32 750																						
Company's Name	Councillor / Employee	Total 30 June 2012	Total 30 June 2011																																								
Batho Pele Helpende Hand Begrafnisondernemers CC	B Adams - No longer a councillor	-	32 750																																								
Van der Steen: Pomp en Pyp	PT van der Steen is a Councillor and owner of Van Der Steen Pomp en Pyp	1 220	-																																								
Help-U-Agency	S Esau Owner of Help-U-Agencies is the father of EJJ Esau who is the Manager: SCM	30 000																																									
		31 220	32 750																																								
39.2	<p>Related Party Loans</p> <p>Loans to senior management employees are no longer permitted since 1 July 2004</p>																																										
40	<p>CAPITAL COMMITMENTS</p> <p>Commitments in Respect of Capital Expenditure: Approved and Contracted for -</p> <table><tr><td>Infrastructure</td><td>5 338 932</td><td>17 320 434</td></tr><tr><td>Community</td><td>2 928 116</td><td>2 518 031</td></tr><tr><td>Other</td><td>68 024</td><td>12 295 537</td></tr></table> <p>Approved but not yet Contracted for -</p> <table><tr><td>Infrastructure</td><td>71 327 579</td><td>131 833 070</td></tr><tr><td>Community</td><td>2 850 000</td><td>5 113 800</td></tr><tr><td>Other</td><td>6 850 000</td><td>17 330 000</td></tr></table> <p>Total</p> <table><tr><td></td><td>89 362 651</td><td>186 410 872</td></tr></table>	Infrastructure	5 338 932	17 320 434	Community	2 928 116	2 518 031	Other	68 024	12 295 537	Infrastructure	71 327 579	131 833 070	Community	2 850 000	5 113 800	Other	6 850 000	17 330 000		89 362 651	186 410 872																					
Infrastructure	5 338 932	17 320 434																																									
Community	2 928 116	2 518 031																																									
Other	68 024	12 295 537																																									
Infrastructure	71 327 579	131 833 070																																									
Community	2 850 000	5 113 800																																									
Other	6 850 000	17 330 000																																									
	89 362 651	186 410 872																																									

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
	<p><i>This expenditure will be financed from:</i></p> <p>External Loans 4 350 643 92 832 330</p> <p>Government Grants 42 366 067 78 267 740</p> <p>Own Resources 42 645 941 15 310 803</p> <p align="right">89 362 651 186 410 872</p> <p><i>The Funding to finance the capital commitment are secured.</i></p>		
41	CONTINGENT LIABILITIES	9 395 920	158 514 782
	//Khara Hais Municipality / SAD	-	149 425 000
	<i>Claim by SAD for damages incurred during a fire. SAD claim negligence on the part of //Khara Hais Municipality. Claim to be defended.</i>		
	//Khara Hais Municipality, K Sani & M Eland / Delida Nugent	100 000	100 000
	<i>Applicant claims unlawful arrest against //Khara Hais Municipality. Claim to be defended</i>		
	//Khara Hais Municipality / SA Local Authorities Pension Fund	1 227 942	1 227 942
	<i>Claim for amounts allegedly not paid to SALA Pension Fund. Claim to be defended.</i>		
	//Khara Hais Municipality / Holtzhausen Familie Trust	40 100	40 100
	<i>Claims for damages to property of the applicant. Claim to be defended</i>		
	Claim from JHJ Van Niekerk	28 030	28 030
	<i>Claim for burns to Mr Van Niekerk's son at Eiland Resort. //Khara Hais Municipality lost the case, but an appeal was lodged.</i>		
	//Khara Hais Municipality / Tauris Garden Trading 500 CC	7 554 163	7 554 163
	<i>A road-work tender awarded to Tauris Garden Trading 500 CC. Applicant could not comply with tender conditions, and tender was cancelled by means of a court order before any work was done. Applicant lodged an appeal.</i>		
	//Khara Hais Municipality / B Kock	30 000	-
	<i>Application for interdict against B Kock</i>		
	//Khara Hais Municipality / SA Music Rights Organisation Ltd	15 685	15 685
	<i>Claim for loss of revenue relating to copyright.</i>		
	//Khara Hais Municipality / Arrie Jors	100 000	100 000
	<i>Claim for improper eviction and property damages. Claim to be defended. Amount unknown but will not be less than mentioned amount.</i>		
	//Khara Hais Municipality / AC Pool	300 000.00	-
	<i>Claim for injuries occurred on pavement</i>		
42	CONTINGENT ASSET		
	//Khara Hais Municipality / J Modisi	-	-
	<i>Claims for fraudulent payments made against houses repaired. Investigation ongoing and amount unknown</i>		
43	COMPARISON WITH THE BUDGET		
	The municipality's actual financial performance compared with the approved budgeted is set out in Annexures E.		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
44	<u>Distribution Losses:</u>		
44.1	<u>Electricity</u> The electricity distribution losses comprises of technical losses. Technical losses are losses on the electricity subtransmission and distribution equipment due to attenuation of the power signal by conductors such as copper and aluminium. The acceptable industry standard for technical losses is between 5% and 8%. A total of 186,135,126 units of kWh were purchased and a total of 174,362,826 units of kWh were sold. Therefore a distribution loss of 11,772,3000 units or 6.32% were suffered by //Khara Hais Municipality for the 2011-2012 financial year. The value of these losses at cost price amounts to R6,424,342.		
44.2	<u>Water</u> A total of 14,029,287 megaliters of water were produced/purchased and a total of 8,495,979 megaliters of water were sold. Therefore a distribution loss of 5,533,308 megaliters of water or 38.8% (2011 - 26.12%) were suffered by //Khara Hais Municipality for the 2011-2012 financial year. The total distribution loss of 5,533,308 megaliters does not however factor in that //Khara Hais Municipality have about 3,000 house connections (informal settlements on formal sites) without any water meters and about 940 customers (informal settlements on formal sites) receiving water from standpipes in the streets. Therefore if the water consumption could have been calculated, the distribution losses would have been significantly less. Currently //Khara Hais Municipality cannot determine the water usages of these houses/customers due to a lack of funding to install either normale water meters or pre-paid water meters.		

45	FINANCIAL RISK MANAGEMENT The activities of the municipality expose it to a variety of financial risks, including market risk (comprising currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.		
45.1	<i>Foreign Exchange Currency Risk</i> The Municipality does not engage in foreign currency transactions.		
45.2	<i>Price Risk</i> the Municipality is not exposed to price risk		
45.3	<i>Interest Rate Risk</i> As the Municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates. The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/(deficit) for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities. The Municipality did not hedge against any interest rate risks during the current year. The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow: 1% (2011 - 1%) Increase in interest rates 0.5% (2011 - 0.5%) Decrease in interest rates	(975 297) 487 649	(718 357) 359 178
45.4	<i>Credit Risk</i> Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies. Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed acrossed different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practise this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. All rates and services are payable within 30 days from invoice date. Refer to note 4 for all balancces outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Due to the short term nature of receivables the carrying value disclosed in note 4 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
		2012	2011
		2012	2011
	The provision for bad debts could be allocated between the different classes of debtors as follows:		
		%	R
		%	R
	Non-Exchange Receivables		
	Rates	12.54%	985 115
			16%
			2 694 309
	Exchange Receivables		
	Service Charges	87.46%	6 870 542
			84%
		100.00%	14 392 864
			100.00%
		7 855 656	17 087 173
	Bad debts written off per debtor class:		
	Non-Exchange Receivables		
	Rates	0.00%	-
			0.00%
			-
	Exchange Receivables		
	Service Charges	100.00%	14 061 824
			100.00%
		4 333 669	
		100.00%	4 333 669
	The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.		
	Receivables from Exchange Transactions and Receivables from Non-Exchange Transactions are individually evaluated annually at year end for impairment.		
	Financial assets exposed to credit risk at year end are as follows:	2012 R	2011 R
	Long Term Receivables	1 863	2 889
	Receivables from Exchange Transactions	33 711 850	35 944 635
	Receivables from Non-Exchange Transactions	3 185 435	2 729 017
	Cash and Cash Equivalents	6 394 454	6 299 813
		43 293 602	44 976 354
45.5	Liquidity Risk		
	Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.		
	The entity's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.		
	The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.		
		Less than 1 year	Between 2 and 5 years
		Between 6 and 10 years	Over 10 years
	2012	78 195 245	24 974 613
		8 034 938	59 299 503
	Long Term Liabilities	1 311 467	24 974 613
	Payables from Exchange Transactions	46 518 869	-
	Unspent Conditional Grants and Receipts	30 364 908	-
	2011	58 263 050	23 589 919
		8 547 210	44 625 134
	Long Term Liabilities	-	23 589 919
	Payables from Exchange Transactions	52 433 542	-
	Unspent Conditional Grants and Receipts	5 829 508	-

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
46	FINANCIAL INSTRUMENTS	2012 R	2011 R
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
46.1	Financial Assets		
	<i>Financial instruments at amortised cost</i>		
	Long Term Receivables	1 863	2 889
	Receivables from Exchange Transactions	33 711 850	35 944 635
	Receivables from Non-Exchange Transactions	3 185 435	2 729 017
	Current Portion of Long Term Receivables	19 587	22 834
	Cash and Cash Equivalents	6 394 454	6 299 813
		<u>43 313 189</u>	<u>44 999 188</u>
46.2	Financial Liability		
	<i>Financial instruments at amortised cost</i>		
	Long Term Liabilities	81 906 797	70 206 788
	Payables from Exchange Transactions	46 518 869	52 433 542
	Current Portion of Long Term Liabilities	11 713 725	6 555 474
	Cash and Cash Equivalents	10 297 917	1 367 555
		<u>150 437 308</u>	<u>130 563 360</u>
47	EVENTS AFTER REPORTING DATE		
47.1	Loans to the amount of R46.8 million for infrastructure development are planned to be taken up in the 2012/2013 financial year. These loans will be obtained from Standard Bank and negotiations are under way regarding the best interest rate.		
48	Going Concern	2012	2011
	Deficit for the year	136 928 857	158 151 008
	During the period 2008/2009 to 2009/2010 the Municipality utilised the transitional provisions of Directive 4 issued by the Accounting Standards Board; which allowed the Municipality three years to recognise assets under the previous basis of accounting utilised by Municipalities. However, for the 2010/2011 financial year and retrospectively for two years the Municipality had to apply the new required Accounting Standards to recognise their assets. The result was that these assets were recognised at its current depreciated replacement cost; which resulted in a significant increase in the accumulated surplus. Due to the significant increase in the value of assets; depreciation subsequently increased as well. Thus, although the increase in depreciation has resulted in a deficit, this deficit is set-off against the large accumulated surplus that has been created. The off-setting depreciation must go – according to the approved GRAP Accounting Standards – through the Statement of Financial Performance and may not be off-set directly against the Statement of Changes in Net Assets. The deficit is thus funded by the accumulated surplus in the Statement of Changes in Net Assets; and, thus this will influence the setting of tariffs in the future.		
	Current Assets less current liabilities	(50 358 213)	(15 631 413)
	It is noted with real concern that the current assets is R 38,118,402 less than the current liabilities. Management are looking at ways to that will improve our current ratio of 0.56:1 to a more favorable current ratio of 1:1		
	Contingent Liability	9 395 920.11	158 514 781.96
	Two major possible contingent liabilities have been disclosed. They are the one of R 149,425,000 from the SAD for alleged negligence from the Municipality's Fire Department. Although the Municipality was informed in writing of this possible claim nearly two years ago; no summons have been issued by the SAD informing the Municipality of a legal action process that have been instituted. The claim was registered with our insurance company who appointed an assessor who made an investigation and submitted a report to our insurance company. Our insurance company will defend any claim of negligence if the SAD serves the Municipality with a summons.		
	The contingent liability of R 7,554,163 of Tauris Garden Trading CC is disclosed because the claimant had lodged an appeal against the High Court ruling in favour of the Municipality. The appeal case cannot move because the claimant is nowhere to be found. The Municipality is busy with a process to dismiss the claim to enable us to reseal the roads linked to the claim.		

//KHARA HAIS MUNICIPALITY

APPENDIX A: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

External Loans	Loan Number	Redeemable	Loan term	Interest Rate (Fixed)	Balance at 01/07/2011	Received During the Period	Re-allocations	Interest Levied	Redeemed During the Period	Payment not processed in time	Balance at 30/06/2012	Other Costs in Accordance With the MFMA
Annuity Loans					R	R			R		R	R
Development Bank of SA	exl 2	31/03/2015	20 years	12.00%	936 793	-		98 352	(293 089)		742 057	-
Development Bank of SA	exl 1	31/03/2021	20 years	16.50%	8 547 210	-		1 395 461	(953 866)	(953 866)	8 034 938	-
Development Bank of SA	GA2036	31/12/2012	7 years	12.98%	1 591 182	-		198 539	(239 127)	(239 127)	1 311 467	-
Development Bank of SA	GA2037	31/12/2028	20 years	12.59%	20 597 580	13 563 388	-	3 578 192	(2 392 046)	(1 666 117)	33 680 997	-
Development Bank of SA	GA2038	31/12/2023	15 years	6.75%	24 027 554	3 813 221	-	1 717 360	(1 544 173)	(2 395 455)	25 618 507	-
ABSA Bank	40-6309-6496	31/08/2015	10 years	10.04%	1 643 031	-	-	155 060	(478 934)		1 319 156	-
ABSA Bank	40-6353-0507	02/11/2015	10 years	10.07%	1 162 348	-	-	107 766	(319 718)		950 397	-
ABSA Bank	40-6396-1623	31/12/2015	10 years	10.12%	2 845 016	-	-	278 236	(600 498)	(200 166)	2 322 588	-
ABSA Bank	40-6447-8475	29/02/2016	10 years	10.17%	3 005 191	-	-	290 280	(802 957)		2 492 514	-
ABSA Bank	30-3213-8054	30-09-2015	5 years	9.60%	2 584 928	-	-	234 207	(790 456)		2 028 680	-
ABSA Bank	30-3213-9212	30-09-2015	5 years	9.60%	9 821 429	-	-	961 197	(1 351 484)		9 431 142	-
Standard Bank	310-634-334	20-01-2017	5 years	10.00%		6 088 012		246 886	(646 819)		5 688 079	-
TOTAL EXTERNAL LOANS					76 762 263	23 464 621	-	9 261 536	(10 413 167)	(5 454 731)	93 620 522	-

//KHARA HAIS MUNICIPALITY

APPENDIX B: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2012

	Restated Opening Balance	Cost / Revaluation Under			Restated Opening Balance	Accumulated Depreciation				Closing Balance	Carrying Value	Budget Additions 2012
		Additons	Construction	Disposals	Closing Balance	Additons	Disposals	Impairment				
<u>Land and Buildings</u>												
Land	56 389 540	-	-		56 389 540	-					56 389 540	
Buildings	181 320 768	-	1 100 187		182 420 954	(16 657 287)	(6 291 030)	-	-	(22 948 318)	159 472 637	
Balance Previously Reported	181 551 773	-	1 100 187	-	182 651 960	(16 657 287)	(6 291 030)			(22 948 318)	159 703 642	
Correction of Error - refer to note 36.10	(231 006)	-	-	-	(231 006)	-	-	-	-	-	(231 006)	
	237 710 307	-	1 100 187	-	238 810 494	(16 657 287)	(6 291 030)	-	-	(22 948 318)	215 862 176	-
<u>Infrastructure</u>												
Roads	982 127 327	-	8 239 189	-	990 366 516	(256 085 389)	(45 263 779)	-	-	(301 349 169)	689 017 347	
Balance Previously Reported	982 127 327	-	8 239 189		990 366 516	(285 288 419)	(45 263 779)			(330 552 198)	659 814 317	
Correction of Error - refer to note 36.10	-	-	-	-	-	29 203 030	-	-	-	29 203 030	29 203 030	
Electricity	582 333 783	-	5 023 895	-	587 357 678	(242 863 523)	(17 350 942)	-	-	(260 214 465)	327 143 213	
Balance Previously Reported	582 376 993	-	5 023 895		587 400 889	(242 863 523)	(17 350 942)			(260 214 465)	327 186 424	
Correction of Error - refer to note 36.10	(43 210)	-	-	-	(43 210)	-	-	-	-	-	(43 210)	
Sewerage Mains & Purification	330 178 162	-	471 012		330 649 174	(185 223 080)	(7 697 070)			(192 920 150)	137 729 024	
Stormwater	121 872 059	-	-		121 872 059	(30 959 605)	(2 398 416)			(33 358 021)	88 514 038	
Water Mains & Purification	628 553 135	-	5 654 180	-	634 207 315	(174 858 749)	(15 683 875)	-	-	(190 542 624)	443 664 691	
Balance Previously Reported	632 340 253	-	5 654 180		637 994 433	(174 858 749)	(15 683 875)			(190 542 624)	447 451 809	
Correction of Error - refer to note 36.10	(3 787 118)	-	-	-	(3 787 118)	-	-	-	-	-	(3 787 118)	
Solid waste	8 584 050	-	-		8 584 050	(6 148 552)	(538 171)			(6 686 722)	1 897 327	
Railway infrastructure	56 500 160	-	-		56 500 160	(29 403 137)	(1 883 339)			(31 286 475)	25 213 685	
	2 710 148 675	-	19 388 277	-	2 729 536 952	(925 542 035)	(90 815 592)	-	-	(1 016 357 627)	1 713 179 326	-
<u>Community assets</u>												
Community Assets	84 165 352	-	2 570 795	-	86 736 147	(21 970 598)	(2 935 839)	-	-	(24 906 437)	61 829 710	
Balance Previously Reported	84 166 951	-	2 570 795		86 737 747	(21 970 598)	(2 935 839)			(24 906 437)	61 831 309	
Correction of Error - refer to note 36.10	(1 599)	-	-	-	(1 599)	-	-	-	-	-	(1 599)	
	84 165 352	-	2 570 795	-	86 736 147	(21 970 598)	(2 935 839)	-	-	(24 906 437)	61 829 710	-
<u>Heritage Assets</u>												
Heritage Assets	4 273 000	-	-		4 273 000	-					4 273 000	
	4 273 000	-	-	-	4 273 000	-	-	-	-	-	4 273 000	-
<u>Other Assets</u>												
Site Furniture	9 789 645	-	-		9 789 645	(860 346)	(396 666)			(1 257 012)	8 532 633	
Vehicles and Movable Assets	45 819 962	18 573 080	507 256	-	64 900 297	(10 258 020)	(9 009 783)	-	(773 156)	(20 040 959)	44 859 338	
Balance Previously Reported	45 846 965	18 573 080	507 256		64 927 301	(10 287 092)	(9 009 783)		(773 156)	(20 070 032)	44 857 269	
Correction of Error - refer to note 36.10	(27 003)	-	-	-	(27 003)	29 072	-	-	-	29 072	2 069	
Other Fixed Assets	215 793	-	-		215 793	(21 767)	(4 316)			(26 083)	189 710	
	55 825 399	18 573 080	507 256	-	74 905 735	(11 140 133)	(9 410 765)	-	(773 156)	(21 324 054)	53 581 681	-
GRAND TOTAL	3 092 122 734	18 573 080	23 566 515	-	3 134 262 329	(975 310 053)	(109 453 227)	-	(773 156)	(1 085 536 436)	2 048 725 893	-

//KHARA HAIS MUNICIPALITY

APPENDIX C: SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2012

	Cost / Revaluation				Accumulated Depreciation					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Transfers	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Executive & Council	229 126 257	458 764	-	229 585 021	15 107 815	136 256			15 244 071	214 340 950	
Budget and Treasury	1 582 961	89 736	-	1 672 697	485 795	419 238			905 033	767 663	
Corporate Services	-	1 943 923		1 943 923	-	6 824 177			6 824 177	(4 880 254)	
Planning & Development	380 693	132 737	-	513 431	112 872	265 469			378 341	135 089	
Health	864 380	14 970	-	879 350	320 036	287 206			607 242	272 108	
Community & Social	22 389 786	1 481 106	-	23 870 892	4 725 461	601 497			5 326 958	18 543 935	
Housing	-	-	-	-	-	51 505			51 505	(51 505)	
Public Safety	9 843 008	282 841	-	10 125 849	3 299 885	1 827 931			5 127 816	4 998 033	
Sport & Recreation	80 131 553	787 467	-	80 919 020	20 147 083	8 715 598			28 862 680	52 056 339	
Environmental Services	-	-	-	-	-	-			-	-	
Waste Management	339 014 485	943 788	-	339 958 273	191 326 806	8 279 178	-	-	199 605 984	140 352 289	
Roads	1 183 164 123	25 430 187	-	1 208 594 310	318 418 897	49 341 067			367 759 964	840 834 346	
Water	628 914 065	5 550 180	-	634 464 246	175 012 129	15 779 500			190 791 629	443 672 617	
Electricity	582 445 843	5 023 895	-	587 469 739	242 892 151	17 697 760			260 589 911	326 879 828	
Other	14 265 580	-	-	14 265 580	3 461 125	-			3 461 125	10 804 455	
TOTAL	3 092 122 734	42 139 595	-	3 134 262 329	975 310 053	110 226 383	-	-	1 085 536 436	2 048 725 893	-

//KHARA HAIS MUNICIPALITY

APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
38 105 461	158 533 362	(120 427 901)	Executive & Council	41 259 958	50 925 500	(9 665 543)
54 715 602	30 466 090	24 249 511	Budget & Treasury	69 246 508	51 454 078	17 792 430
834 565	39 080 246	(38 245 681)	Corporate Services	1 359 597	51 072 599	(49 713 002)
1 114 321	9 591 162	(8 476 842)	Planning & Development	1 233 083	13 215 347	(11 982 265)
1 118 638	4 113 967	(2 995 329)	Health	1 180 254	4 942 778	(3 762 524)
884 493	4 411 484	(3 526 991)	Community & Social Services	563 326	6 448 933	(5 885 607)
4 058 749	3 278 214	780 535	Housing	1 649 000	3 954 874	(2 305 874)
6 717 321	16 066 654	(9 349 333)	Public Safety	7 132 798	19 263 092	(12 130 294)
3 994 477	23 702 609	(19 708 132)	Sport & Recreation	5 774 420	35 017 644	(29 243 224)
-	-	-	Environmental Protection	-	-	-
14 390 367	20 956 178	(6 565 811)	Waste Management	16 980 080	17 372 443	(392 363)
20 366 835	19 240 917	1 125 918	Waste Water Management	23 314 887	21 601 227	1 713 660
582 412	(16 089 148)	16 671 560	Road Transport	756 607	61 776 087	(61 019 479)
35 863 815	31 328 231	4 535 584	Water	37 130 167	41 328 596	(4 198 429)
143 381 119	109 189 256	34 191 863	Electricity	171 755 567	136 273 191	35 482 376
10 291	1 477 629	(1 467 338)	Other	1 089	1 619 808	(1 618 719)
326 138 466	455 346 851	(129 208 385)	TOTAL	379 337 340	516 266 196	(136 928 857)

//KHARA HAIS MUNICIPALITY

APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/2012 Actual R	2011/2012 Budget R	2011/2012 Variance R	2011/2012 Variance %	Explanation of Significant Variances (Above or below 10%)
<u>REVENUE</u>					
Property rates	43 340 022	43 970 383	(630 361)	-1%	
Service charges	248 713 460	255 656 740	(6 943 280)	-3%	Investigation will be launched on the income of Service Charges
Rental of facilities and equipment	6 370 646	5 636 621	734 025	13%	Better utilization of rental facilities
Interest earned - external investments	1 023 497	512 211	511 286	100%	Surplus money invested resulted in additional interest received
Interest earned - outstanding receivables	2 344 500	2 638 496	(293 996)	-11%	Debtor were recovered/written-off, therefore less interest were levied
Fines	1 520 877	1 519 088	1 789	0%	
Licences and permits	1 732 037	1 574 797	157 240	10%	
Income for agency service	3 245 304	3 221 304	24 000	1%	
Income for housing agency service	1 600 000	1 600 000	-	0%	
Employee housing	90 573	71 994	18 579	26%	Additional employees renting houses
Government grants and subsidies - Operating	54 618 184	60 186 062	(5 567 878)	-9%	Not all grant income realised
Government grants and subsidies - Capital	13 633 831	36 794 081	(23 160 250)	-63%	Not all grant income realised
Other income	3 202 785	2 582 433	620 352	24%	See Note 21
	381 435 714	415 964 210	(34 528 496)	-8%	
Less: Revenue foregone	-2 098 375	(2 036 522)	(61 853)	3%	
Total Revenue	379 337 339	413 927 688	(34 590 349)	-8%	
<u>EXPENDITURE</u>					
Employee related costs	158 228 971	155 093 620	(3 135 351)	-2%	
Remuneration of councillors	6 531 083	6 751 716	220 633	3%	
Contributions to provisions - Bad debts	4 830 308	420 000	(4 410 308)	-1050%	
Contributions to provisions - Other	25 493 209	14 868 461	(10 624 748)	100%	Employee Benefits Provisions (IAS29)
Collection cost	193 550	209 400	15 850	8%	
Depreciation and amortisation expense	111 189 720	4 880 911	(106 308 809)	-2178%	GRAP 17 depreciation
Repairs and maintenance	10 471 280	11 191 417	720 137	6%	
Finance costs	9 416 932	7 926 399	(1 490 533)	-19%	Additional loans taken up during the year.
Bulk purchases	106 256 052	101 264 360	(4 991 692)	-5%	
Contracted services - Legal fees	1 809 708	1 939 619	129 911	7%	
Contracted services - Other	7 840 410	8 369 747	529 337	6%	
Grants and subsidies paid	917 343	905 600	(11 743)	-1%	
Operating projects	506 857	2 511 117	2 004 260	80%	Not all housing projects materialised
General expenses	72 580 218	71 084 518	(1 495 700)	-2%	
Total Expenditure	516 265 639	387 416 885	(128 848 754)	-33%	
Gain / (loss) on sale of assets	-557	4	(561)	-14023%	
NET SURPLUS/(DEFICIT)	-136 928 857	26 510 807	(163 439 664)	-617%	

//KHARA HAIS MUNICIPALITY

APPENDIX E(2): ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY,PLANT & EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

	2011/2012 Actual R	2011/2012 Budget R	2011/2012 Variance R	2011/2012 Variance %	Explanation of Significant Variances
Executive & Council	458 764	1 979 483	(1 520 719)	-76.82%	
Budget & Treasury	89 736	86 732	3 004	3.46%	
Corporate Services	1 943 923	29 030 357	(27 086 434)	-93.30%	
Planning & Development	132 737	138 097	(5 360)	-3.88%	
Health	14 970	25 000	(10 030)	-40.12%	
Community & Social Services	1 481 106	4 458 682	(2 977 576)	-66.78%	
Housing	-	-	-	0.00%	
Public Safety	282 841	372 872	(90 031)	-24.15%	
Sport & Recreation	787 467	4 279 894	(3 492 427)	-81.60%	
Environmental Protection	-	-	-	0.00%	
Waste Management	943 788	565 600	378 188	66.86%	
Waste Water Management	-	2 242 413	(2 242 413)	-100.00%	
Road Transport	25 430 187	29 144 676	(3 714 489)	-12.75%	
Water	5 550 180	11 694 189	(6 144 009)	-52.54%	
Electricity	5 023 895	22 317 804	(17 293 909)	-77.49%	
Other	-	-	-	0.00%	
GRAND TOTALS	42 139 595	106 335 799	(64 196 204)	-60.4%	

//KHARA HAIS MUNICIPALITY

APPENDIX F: DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure				
		04/2011 - 06/2011	07/2011 - 09/2011	10/2011 - 12/2011	01/2012 - 03/2012	04/2012 - 06/2012	04/2011 - 06/2011	07/2011 - 09/2011	10/2011 - 12/2011	01/2012 - 03/2012	04/2012 - 06/2012
Equitable Share	National Treasury	10 133 000	19 217 000	11 391 000	15 512 000	-	7 810 750	11 530 000	11 530 000	11 530 000	11 530 000
Housing Subsidies	Provincial	73 187	1 279 549	-	1 924 014	1 075 625	22 849 220	1 078 593	1 078 593	1 078 593	1 078 593
NER	NER		1 232 000	597 000	-	-	140 900	457 200	457 200	457 200	457 200
FMG	National Treasury		1 106 000	-	-	-	122 827	598 811	598 811	598 811	598 811
Macincedane	Provincial		-	555 000	-	-		88 361	88 361	88 361	88 361
MIG	National		5 883 000	-	13 728 000	-	3 613 359	2 456 585	2 456 585	2 456 585	2 456 585
EPWP	Transport		3 951 943	-	-	-		343 617	343 617	343 617	343 617
Tourism	Dept Sport,Art & Culture		-	-	-	-		-	-	-	-
Other	Other		10 000	-	-	-		-	-	-	-
Water	Dept Water & Forestry	154 954	-	-	907 090	43 200		210 100	210 100	210 100	210 100
Siyanda	Siyanda District Municipality		-	-	2 000	-		-	-	-	-
Lotto	National Lotteries Board		-	1 900 000	-	-		154 276	154 276	154 276	154 276
MSIG	DPLG		-	625 000	-	-	724 628	345 418	345 418	345 418	345 418
TOTALS		10 361 141	32 679 493	15 068 000	32 073 104	1 118 825	35 261 685	17 262 961	17 262 961	17 262 961	17 262 961

Name of Grants	Name of Organ of State or Municipal Entity	Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Did Your Municipality Comply With the Grant Conditions in Terms of Grant Framework in the Latest Division of Revenue Act	Reason for Non-Compliance	
		04/2011 - 06/2011	07/2011 - 09/2011	10/2011 - 12/2011	01/2012 - 03/2012	04/2012 - 06/2012		Yes / No		
Equitable Share	National Treasury	-	-	-	-	-		Yes		
Housing subsidies	Provincial	-	-	-	-	-		Yes		
NER	Ner	-	-	-	-	-		Yes		
FMG	National Treasury	-	344 000	-	-	-	Unspent portion of previous year	Yes		
Macincedane	Provincial	-	-	-	-	-		Yes		
MIG	National	-	-	-	-	-		Yes		
EPWP	Transport	-	-	-	-	-		Yes		
MSIG	National Treasury		165 000				Unspent portion of previous year	Yes		
TOTALS		-	509 000	-	-	-				

APPENDIX F - Unaudited
//KHARA HAIS MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2011	Correction of error	Restated balance 1 JULY 2011	Contributions during the year	Transferred	Withheld	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2012	Unspent 30 JUNE 2012 (Creditor)	Unpaid 30 JUNE 2012 (Debtor)
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS											
	R			R	R	R	R	R	R	R	R
FMG	684 905	-	684 905	1 450 000	-	(344 000)	(2 395 242)	-	(604 338)	-	(604 338)
MSIG	403 342	-	403 342	790 000	-	(165 000)	(1 381 673)	-	(353 331)	-	(353 331)
Provincial grants	823 122	-	823 122	555 000	-	-	(195 945)	(157 499)	1 024 679	1 024 679	-
MIG	2 613 471	(1 583 041)	1 030 430	19 611 000	14 900 000	(2 100 000)	(1 500 009)	(8 326 331)	23 615 090	23 615 090	-
Other	898 403	17 428	915 831	2 852 290	-	-	(840 400)	(617 105)	2 310 616	2 310 616	-
Provincial LED Projects	288 956	-	288 956	-	-	-	(187 363)	-	101 593	101 593	-
EPWP	1 521 889	-	1 521 889	3 951 943	-	-	-	(1 374 467)	4 099 365	4 099 365	-
Health	141 033	-	141 033	-	-	-	-	-	141 033	141 033	-
INEP	-	-	-	1 829 000	-	-	-	(1 828 800)	200	200	-
Donations - Other	20 000	-	20 000	10 000	-	-	-	-	30 000	30 000	-
Total	7 395 121	(1 565 613)	5 829 508	31 049 234	14 900 000	(2 609 000)	(6 500 632)	(12 304 201)	30 364 908	31 322 577	(957 669)